FOURTH REPORT

PUBLIC ACCOUNTS COMMITTEE (1985-86)

(EIGHTH LOK SABHA)

COFFEE BOARD

MINISTRY OF COMMERCE

[**Action Taken on 127th Report (Seventh Lok Sabha)**]

Presented to Lok Sabha on 29 August, 1985
Laid in Rajya Sabha on 29 August, 1985

LOK SABHA SECRETARIAT
NEW DELHI

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PUBLIC ACCOUNTS COMMITTEE
(1985-86)

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Shri E. Ayyapu Reddy

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SECRETARIAT

1. Shri K. H. Chhaya—*Chief Financial Committee Officer*
2. Shri R. C. Anand—*Senior Financial Committee Officer*

INTRODUCTION

I, the Chairman of Public Accounts Committee, as authorised by the Committee do present on their behalf this 4th Report on action taken by Government on the recommendations of the Public Accounts Committee contained in their 127th Report (7th Lok Sabha) relating to Coffee Board.

2. In their earlier Report, the Committee had expressed concern over the delay in making final payments to the Coffee growers and non-transfer of excess in Pool Fund to the credit of the General Fund over the years. In their action taken reply though the Ministry of Commerce have stated that payment to growers has improved but from the data furnished by the Ministry in this regard the Committee find that the result of the efforts made by the Coffee Board has not been satisfactory. Balances in the Pool Fund relating to 1975-76 and 1976-77 coffee seasons are still in the process of being adjusted and the excess in the Pool Fund after meeting the requirements of Section 32 of the Coffee Act, 1942 has yet to be appropriated to the General Fund. The Committee have, therefore, restressed the need to take appropriate measures to ensure timely transfer of excess amounts in the Pool Fund to the credit of the General Fund. The Committee have further desired the Ministry of Commerce to lay down some guidelines for the Coffee Board to achieve this objective according to prescribed time frame.

3. Commenting on the prospective plan for increasing production of Coffee in the country the Committee, in their earlier Report, had stressed upon the Coffee Board to play aggressive role in promoting and establishing cooperative coffee plantations in the traditional States by providing the necessary share capital, organisational resources and technical skill/manpower and help in setting up of joint sector Corporations in non-traditional States for extension of coffee plantations for achieving the Board's objectives of increasing coffee production in new areas. Although the Ministry of Commerce have stated that considerable progress has been achieved in terms of overall expansion and production of coffee, the Committee note that though there has been appreciable increase in the acreage under cultivation and production of coffee in the country as a whole in the traditional States, the picture of expansion of coffee plantations

in the non-traditional States is somewhat dismal. As against the target of 72,000 hectares by 1993-94 and 22,900 hectares by 1984-85 to be brought under coffee cultivation during the Sixth Plan period, the achievement is only 10043 hectares (about 14 per cent in respect of first target and 44 per cent in the case of 6th plan target). The Committee has, therefore, reiterated need for a more rational programme for development of coffee in non-traditional areas both in terms of productivity increase and new plantations for the 7th Plan Period and implementation of the same on year to year basis to achieve the target set forth for 1993-94.

4. The Committee considered this Report at their sitting held on 25-6-1985. The Minutes of the sitting form Part II of the Report.

5. For facility of reference and convenience, the recommendations/ observations of the Committee have been printed in thick type in the body of the Report and have also been reproduced in a consolidated form in Appendix to the Report.

6. The Committee place on record their appreciation of the assistance rendered to them in the matter by the Office of the Comptroller and Auditor General of India.

NEW DELHI;
July 29, 1985
Sravana 7, 1907 (S)

E. AYYAPU REDDY
Chairman,
Public Accounts Committee.

CHAPTER I

REPORT

1.1 This Report of the Committee deals with the action taken by Government on the recommendations and observations contained in their 127th Report (7th Lok Sabha) on Coffee Board commented upon in Paragraph 31 of the Advance Report of the Comptroller and Auditor General of India for the year 1979-80, Union Government (Civil) relating to Coffee Board (Ministry of Commerce).

1.2 The Committee's 127th Report (7th Lok Sabha) was presented to Lok Sabha on 31 March, 1983. It contained 65 recommendations and observations. Action taken notes on all these recommendations and observations have been received from the Government. These have been broadly categorised as follows:

(i) Recommendations|observations that have been accepted by Government:

Sl. Nos. 7—10, 11-12, 15—19, 20—23, 24-25, 26—28, 31, 33-34, 35-36, 50, 53, 54—56, 61, 63-64.

(ii) Recommendations|observations which the Committee do not desire to pursue in the light of the replies received from Government:

Sl. Nos. 1—6, 13-14, 29-30, 43, 57-58, 59-60, 62, 65.

(iii) Recommendations|observations replies to which have not been accepted by the Committee and which require reiteration:

Sl. Nos. 32, 37—42, 44—49, 51 and 52.

(iv) Recommendations|observations in respect of which Government have furnished interim replies:

NIL.

1.3 The Committee will now deal with the action taken on some of their recommendations|observations.

Surplus amounts in the Pool Fund Accounts

(*Paras* 2. 15—2. 16, *S. Nos.* 11-12)

1.4 Commenting on the accumulation of surplus amounts in the Pool Fund Account on account of taking long time in making final payments to growers for their produce delivered to the Board for in-

clusion in the surplus pool, the Committee in Paragraphs 2.15 and 2.16 of their 127th Report (7th Lok Sabha) had observed as follows:

> "The Audit para has pointed out that surpluses in the Pool Fund after making payments to the growers and meeting expenses on storage, curing, transport marketing, etc. are required to be transferred to the General Fund with the previous sanction of Government. As on 31 October, 1978 the accumulated surplus in the Pool Fund Account amounted to Rs. 16.16 crores. The Committee have been informed that this figure represents amounts awaiting distribution amoungst the growers in respect of coffee pooled by them but not yet claimed by them and that such balance were allowed to be carried forward for three to four years from the date of becoming due. The outstandings had been reduced to Rs. 81.63 lakhs relating to 1975-76 and 1976-77 Coffee seasons. The Ministry had assured the Committee that the balances were being reviewed and after making payments to growers fully, the remaining amounts were expected to be transferred to General Fund by 31 December, 1982."
>
> "The Committee are concerned to note that an inordinately long time is taken in the process of accounting of disbursals and exhibition in the relevant years accounts and making final payments to the growers. In a later section of the Report, the Committee have emphasised the need for streamlining the accounting system with a view to reducing the time lag in the finalisation of the accounts and their submission to Audit. This is important since a large majority of the growers are small peasants who look to the Board for quick payment of their dues. The Committee are emphatic that consequent to the decision to shorten the accounting period to 12 months all endeavour would be made to make payments to the growers expeditiously. The Committee consider that normally final payment to a grower should not be delayed beyond 18 months for produce pooled in any one coffee season or beyond six months of closing the accounts."

1.5 In their Action Taken Note, dated 21 August, 1984, the Ministry of Commerce have stated as follows:

> "Coffee Board has confirmed that adjustments are being carried out in the accounts of 1981-82 season to clear the undistributed pool funds balances relating to 1975-76 and 1976-77 season fully."

"As per information furnished by the Board, the payment to growers has improved so that for 1981-82, 97.4 per cent of the estimated total payment for the season has generally been paid within 18 months. Separately further improvements in accounting system are under consideration including computerisation and this may ultimately result in reducing payment period further."

1.6 In their earlier Report, the Committee had expressed concern over the delayed final payments to the growers from the surplus accumulated in the pool fund account and non-transfer of excess in that fund to the credit of the general fund over the years.

1.7 While appreciating the efforts being made by the Coffee Board for improvement in the accounting system to reduce further the payment period to the growers, the Committee note that the result has not been satisfactory. For instance, the pool fund balances relating to 1975-76 and 1976-77 coffee seasons are still in the process of being adjusted. The excess in the pool fund after meeting the requirements of Section 32 of the Coffee Act, 1942 has yet to be appropriated to the general fund.

1.8 The Committee would like the Ministry of Commerce to take appropriate measures to ensure timely transfer of excess amounts in the pool fund to the credit of the general fund. The Committee would also like the Ministry to lay down some guidelines for the Coffee Board to achieve this objective according to prescribed time frame.

Devtlopmental loan schemes introduced by the Coffee Board
(*Paras* 3.39—3.41, *Sl. Nos.* 26—28)

1.9 Commenting upon the manner of implementation of various developmental loan schemes for assisting the coffee growers to meet their long term and short term needs, the Committee in paragraphs 3.39 to 3.41 of their 127th Report, had observed as follows:

"The Committee note that the Coffee Board has introduced six types of developmental loan schemes for assisting the coffee growers to meet their long term and short term needs. These are—(1) Intensive Cultivation Loan. (2) Special Purpose Loan, (3) Extensive Cultivation Loan, (4) Crop Loan, (5) Replantation Loan and (6) Loan for Purchase of Equipment and Machinery on hire purchase terms. Audit have pointed out that till the end of 1978-79 only a small percentage of the small growers (owning less than 50 acres each) had taken advantage

of the various developmental schemes despite the fact that they represented 90 per cent of the grower. The data furnished by the Ministry for subsequent years shows that there has been hardly any visible improvement in the situation. During the years 1978-79 to 1980-81 only 7,815 growers out of a total of 69,524 growers (11.2 per cent) owning upto 20 hectares availed of the various loan schemes. The total amount disbursed during these years under all these schemes was Rs. 9.54 crores only. Of this, the share of 5,831 small growers owning upto 4 hectares was Rs. 3.26 crores. Thus, the smallest of growers who constitute bulk of the growers in this category and who need maximum assistance, received only 33 per cent of the loans."

"It is obvious that the various schemes of financial assistance floated by the Coffee Board have benefited only a very small percentage of growers and the smallest of them have in fact been neglected. The study carried out by the Indian Institute of Management, Ahmedabad has pointed out that while the bigger coffee growers make demands on the Board's services and have benefited from them, the small growers, because of their ignorance, inertia lack of conviction or poor oragnization and economic resources have not responded to the Coffee Board's range of services and that they continue to depend on non-institutional finance. This is indeed unfortunate and reflects the indifference of the Board to the requirements of the small growers. The Committee desire that a thorough evaluation of the various loan schemes should be carried out without delay so as to ascertain the reasons for the inability of the Coffee Board to reach the small grower and to re-orient the incentive schemes into a purposeful package for achieving the desired results *viz.* improvement of the lot of the small cultivator and augmenting productivity per hectare, which are complementary objectives."

"The Committee urge that financial assistance on a much larger scale than provided so far should be arranged if the productivity of the small growers is to be stepped up. Apart from the Board subsidizing the interest payable by small growers, the feasibility of getting bank credit extended to them directly under the Differential Rates of Interest (DRI) Scheme may also be considered by the

Government. The question of providing banking facilities in these areas should also be taken up by the Coffee Board with the Ministries of Commerce and Finance. Needless to say that the procedures for sanctioning loans have not only to be simplified and streamlined, wide publicity should also be given to the various schemes in the coffee growing areas in the regional languages."

1.10 Action Taken Notes dated 21 August, 1984, furnished by the Ministry of Commerce on the above recommendations read as follows:

"The various measures that have already been implemented by the Coffee Board have certainly had a definite impact on the production and productivity of the small growers as could be seen from the following statement:

Year	Production (in tonnes)	Production (in kg./ha.)
1971-72	31,745	453·50
1979-80	91,507	904·70

Over a period of 9 years, the production and productivity of small growers have increased by 198 per cent and 99 per cent respectively. The overall productivity (composite for both small and large growers) level in 1971-72 and 1979-80 was 555.14 kg./ha. and 888.10 kg./ha respectively. Compared with this overall productivity levels, the productivity level for small growers in 1971- respectively. Compared with this overall productivity level for 1971-72. But in 1979-80, it exceeded the corresponding productivity level for all growers by 1.6 kg./ha. This comparison should conclusively establish the tremendous impact which the various measures implemented by the Board have had on the production and productivity of the small growers, either directly on indirectly.

Coffee Board has been advised to maintain more actively liaison with NABARD, commercial and cooperative banks etc., to enlarge the facility for loans and to assist in preparation of project reports and their appraisal. Large scale assistance will only be possible through

loans from various financial institutions which could be fruitfully deployed for augmenting production, productivity, marketing etc. Coffee Board can provide increased subsidies related to the programme of institutional financing."

"The Board has been advised to start an active dialogue with the Commercial and Cooperative Banking Institutions and NABARD to increase the level of loaning to holders below 10 hectares even before completion of the study relating to economic size holding, which only relates to holdings less than 2 hectares. The proposal of the Board for enhancement of scales of loans and subsidies is being considered separately.

The loaning under DRI Scheme is limited to 1 per cent of total loaning by banking and the scheme is meant for the poorest of the poor. Only persons having income below Rs 2,000 per annum in the rural areas are eligible for such loans. A grower having 2 hectares under coffee plantation would normally exceed this income limit. With the limited funds available the coverage of even the poorest is inadequate and the possibility of DRI loans becoming available for small coffee growers seems to be remote (in view of the income criterion). However, a reference has been made to the Reserve Bank of India in this connection.

Procedures for sanctioning loans are being simplified and streamlined to the maximum extent possible, keeping the interests of the Board and of the Government in view.

The Board's loan and subsidy schemes have been given wide publicity through (1) the Board's Extension staff; (2) Communications addressed to all the growers associations, and (3) the Board's monthly Publication, 'Indian Coffee', Published in four languages, *viz.* English: Kannada, Malayalam and Tamil. The question of undertaking publicity through the visual medium (exhibition of films slides in cinema houses) will be examined and suitable action taken."

1.11. The Committee in their earlier Report had desired the Ministry of Commerce to take steps for increase in the coverage of loan

assistance under various developmental schemes particularly in respect of small growers of coffee estates; to examine the feasibility of getting bank credit for the marginal grower under differential rates of interest schemes; to further simplify and streamline the procedure for sanctioning loans and to give wide publicity amongst the coffee growers for taking advantage of developmental schemes.

1.12. The Committee note with satisfaction that the Ministry of Commerce has given appropriate advice to the Coffee Board on the steps to be taken by the Board to achieve the above objectives.

1.13. The Committee would like the Ministry of Commerce to monitor yearly the progress in the number of the beneficiaries on account of various steps taken by them with the object of covering substantial number of growers, in due course of time.

Rate of Return to the Coffee growers (*Paragraph* 3.60—*Sl. No.* 32)

1.14 Commenting on the wide fluctuations in the rate of return to coffee growers, the Committee had, in paragraph 3.60 of their earlier Report observed/recommended as under:

> "From the data furnished to the Committee, it is seen that there are very wide fluctuations in the rate of return to the growers. In respect of arabica, the rate of return during the period 1973-74 to 1978-79 has varied from 6 per cent in 1978-79 to 60 per cent in 1975-76 (excluding 1976-77 which is stated to be a freak year as the international prices rose to abnormal heights and the percentage of gain was as high as 134). Similarly, in respect of robusta coffee the return has varied from as low as 5 per cent in 1974-75 to 62 per cent in 1975-76 and 97 per cent in 1976-77. It is further observed that the rate of return has dipped from 43 per cent in 1977-78 to 6 per cent in 1978-79 in the case of arabica and from 44 per cent to 16 per cent in the case of robusta coffee. The need for ensuring steady returns, particularly to small growers while at the same time protecting the interests of the consumers, is therefore quite obvious. The Committee understand that the Indian Institute of Management, Ahmedabad has suggested setting up of a price stabilization fund to smoothen the fluctuations. The fund can be used to supplement payments to growers during the period of poor realizations and/or to hold stocks for obtaining better prices (with international market) at a later date. The

Committee would like this suggestion to be examined in all its aspects and an early decision taken."

1.15 Action Taken Notes dated 21 August, 1984, on the above recommendations furnished by the Ministry of Commerce read as follows:

"The Special Committee constituted by the Board did not accept the recommendation. However, detailed comments are given in reply to para 1.35."

Relevant extract from reply to Para 1.35 is reproduced below:-

" * * * * *

(3) The Coffee Board, with its pooling arrangements, is a unique institution which had helped in the stabilisation of the returns to coffee growers in the following way:

1. The Coffee growers are assured that all the coffee offered to the Board will be included in the Pool and at least the minimum release price paid to them. The minimum release price is based on costing done by the Cost Accounts Branch of the Finance Ministry and takes into account the costs of cultivation and the need for minimum post-tax return of 10 per cent of net growth. The actual realisation in the internal auctions prices is invariably higher. The export auction since 1968 have been substantially higher than the prices secured in internal auctions.
2. The Coffee Board times the release of coffee in the domestic market in such a manner as to avoid shortages or glut.
3. The prices of coffee exports are sought to be regulated through the agency of the international coffee agreement.
4. In the past few years returns to coffee growers have shown a steady increase.

In effect, the Board is using its Pool Funds to stabilise prices and therefore, there does not appear to be any need to have a separate price stabilisation fund. The pooling system of the Coffee Board has worked well and the growers have been generally satisfied with its functioning. The recommendation in the IIM report involves keeping back of a portion of higher realisations in good

years for ensuring better returns in years of lower prices. This is not acceptable to the Coffee Board which itself is primarily a grower's body. It has, therefore, not accepted the suggestion for a price stabilisation fund. It may be added here that for primary agricultural commodities, fluctuations in price are inherent in the production process and perfectly stable prices would be very difficult to ensure. What the Board under the present system has succeeded in doing is to ensure that the grower gets a certain minimum return on the cost of cultivation, irrespective of price fluctuations.

(4) Sufficient funds are being provided to the Coffee Board under the plan provisions for extension and development programmes on the basis of proposals by the Coffee Board. While there is scope for review of the existing scheme as well as need for devising new schemes to be able to reach the small and marginal farmers more effectively, there is no need as such for the creation of a special development fund. Duties and taxes on various commodities are credited to the Consolidated Fund of India, proceeds of which are then utilised in accordance with the budget approved by Parliament for various activities including coffee development. This arrangement has, by and large, worked well and it would not be proper to have a different arrangement for one commodity."

1.16 While the Committee note that the Special Committee constituted by the Coffee Board did not accept their earlier recommendation for setting up of a price stabilisation fund to ensure stable return to growers, particularly small growers, over a longer period of time rather than be exposed to wide fluctuations from as high as 43 per cent in 1977-78 to as low as 6 per cent in 1978-79 in the case of Aribica and from 44 per cent to 16 per cent in the case of Robusta coffee during these years, they cannot help observing that according to Ministry's own admission fluctuations in price are inherent in the production process of primary agricultural commodities and perfectly stable prices would be very difficult to ensure.' It is to avoide adverse effects of market fluctuations that the Committee wanted safeguards for the growers of coffee particularly the small cultivators having less than 4/5 hectares. Now that the Coffee Board has decided to commission a Study regarding possibilities of development of marginal

and uneconomic holders and allied matters with the assistance of National Council for Applied Economic Research, the Committee desire that the question of setting up of a price stabilisation fund should also be made one of the terms of reference of this Study and considered afresh in the light of rate of return and cost of production of coffee by the smallest of the growers from 1979-80 season onwards.

Curing Establishments (*Paragraphs* 3.82—3.87, *S. Nos.* 37—42).

1.17 Expressing concern over the shortage of installed curing capacity in the country and exploitation of the situation by the curing establishments by dictating terms and forcing the Coffee Board to negotiate rates of remuneration fixed by the Board with reference to the cost study conducted by the Cost Accounts Officer deputed by Government for the purpose, the Committee in paras 3.82—3.87 of their 127th Report (7th Lok Sabha) had observed| recommended as follows:

> "The Curing firms also function as pool agents of the Coffee Board for a variety of services besides curing, such as receiving and storing surplus pool coffee and making payments to growers from funds provided by the Board. The remuneration payable to the agents for curing and agency functions in each season is fixed by the Board with reference to the cost study conducted by the Cost Accounts Officer deputed by Government. Audit have pointed out that for the seasons 1974-75 to 1975-76 and 1976-77 to 1977-78 the Board made payments to the curing firms at the rate of Rs. 245 and Rs. 282 per tonne respectively against the recommended remuneration of Rs. 213 and Rs. 266 per tonne respectively. Analysing the reasons for the increased rates, Audit have pointed out that for the seasons 1974-75 to 1975-76 the Board allowed a return on capital at 19 per cent plus Rs. 7.75 per tonne towards bonus as against a return of 12 and half per cent including bonus recommended by the Cost Accounts Officer. The consequential excess payment worked out to Rs. 27.03 lakhs for 1976-77 and 1977-78 seasons. Further excess payment to the tune of Rs. 34.87 lakhs was made towards higher percentage of interest on borrowings for the seasons 1976-77 and 1977-78. In addition, the Board paid rehabilitation allowance to the tune of Rs. 6.33 lakhs at a rate of Rs. 5 per tonne during the above seasons against actual purchase of machinery." "The Committee have

been informed that the cost Accounts Officer's recommendation are not to be considered as an award binding on either the Coffee Board or the curers. At best, they serve only as a basis for negotiating the rates of remuneration payable to the curers for the services rendered by them. These have to be finally agreed upon through negotiation between the curers and the sub-committee of the Marketing Committee of the Board. The Committee are of the opinion that the whole position as narrated is rather unsatisfactory.

The Committee find that as on 31st January, 1982 the total licensed curing capacity was of the order of 1.14 lakh metric tonnes including 2,000 tonnes additional capacity licensed in December, 1981 in favour of two new curing works and additional capacity of 1,000 tonnes in an existing curing works. Compared to the total production of the order of 1.60 lakh tonnes estimated in 1981-82 the available capacity was short of requirements by about 0.46 lakh tonnes. It was conceded in evidence that on account of the gap between the supply and demand, the curing works were in a position to dictate terms to the Board. The Board is since stated to have taken action to encourage investment in curing works and 14 letters of intent have been issued for a total capacity of 75,000 tonnes. The Board are also stated to have submitted a project for setting up modern curing works in public|joint sector to the Government of India. The proposed curing capacity in the public|joint sector is expected to be 10,000 tonnes in traditional areas and 5,000 tonnes in non-traditional areas."

In their 130th Report (Fifth Lok Sabha), the Public Accounts Committee had recommended that pool agency and curing functions should be taken over forthwith. The Ministry had informed the Committee (November 1974):

"It may not be advisable to separate curing and pool agency functions. Taking over of the curing establishments will amount to nationalization of the coffee curing industry. Even if Government decides to nationalize, it will have to be done in a phased manner. The Coffee Board have no reserves of its own and the entire compensation will have to be met from out of the Consolidated Fund of India. Apart from the present economic

situation of the country, whether the nationalisation is necessary has to be gone into..." (Para 3.85)

"Reiterating the recommendation, the Committee, had, in Para 1.30 of the 139th Report (Fifth Lok Sabha) observed that the matter should be examined expeditiously in all its aspects and a detailed report furnished to them. Apparently, there has been no further consideration of the question by Government." (Para 3.86)

"The Committee consider that the Coffee Board and the Plantation Crops Development Corporations in the States directly involved in coffee production, collection, etc. should play more positive role in the matter of curing of coffee instead of allowing it to be handled by private agencies which are in a position to dictate terms to the coffee Board. As most of the coffee curing works are very old and are saddled with outdated plant and machinery, their cost of operation is bound to be very high. The Committee therefore urge that the proposal to set up curing works in the Public Sector should be pursued vigorously with the ultimate object of taking over the entire curing function in a phased manner. The feasibility of setting up cooperatives of growers for undertaking curing works may also be examined. In non-traditional areas the function may be entrusted to the Plantation Crops Development Corporations or other State Agencies."

(Para 3.87)

1.18 In their note dated 21st August, 1984, the Ministry of Commerce had furnished the following information:

"During the examination the Board had pointed out that there was a shortage of installed curing capacity as against the requirement and this was one of the reasons why the curers were able to negotiate for better charges than those recommended by the Cost Accounts Branch of the Finance Ministry. To some extent this situation has been remedied by the increases in the installed curing capacity to 1,41,000 tonnes by the end of 1984. This will include capacity in the following public sector units:

1. Assam Plantation Crop Development Corporation (APCDC).

2. Andhra Pradesh Forest Development Corporation (APFDC).

Section 29 of the Coffee Act casts a duty on the registered Coffee Estates owners and licensed curing establishments to send to the Board returns of coffee provided to each curers. The curing establishments have also to maintain accounts in such forms as may be required by the Board and such accounts are open to inspection by the Board or any officer authorised on his behalf.

With the increase in curing capacity including the set off of such capacity into the States Plantation Corporation, the negotiating position of the Board will improve and a reference point in terms of public sector operating cost will be available. On account of necessity of negotiations, while the cost accounts of such recommendations may have to be treated as reference point, the Board is being advised to ensure (on the basis of information relating to curing cost) that the curing charges negotiated do not result in an unreasonable higher return for curers as compared to the average return obtained by the growers of coffee. The proposal of the Board to divide curing establishments into three categories i.e. (a) those with very modern facilities, (b) those with facilities meeting minimum requirements set by the Board and (c) those with poor facilities, and fixing different curing charges for the three types is also welcome and is likely to have a salutary effect in terms of improving curing facilities."

"At present there are 33 curing works, 5 in Coastal Karnataka and 14 in interior Karnataka, 5 in coastal Kerala and 9 in interior Tamil Nadu. The total curing capacity inclusive of 15 per cent tolerance is 1,19,000 tonnes.

18 letters of intent for setting up new curing works were issued by the Board for a total curing capacity of 88,350 tonnes. Out of these, 3 curing works have been put up and commissioned. Six letters of intent have been cancelled and the curing capacity of these being 35,000 tonnes. 9 letters of intent are still in force, the proposed curing capacity of these being 44,150 tonnes.

The Coffee curing industry has developed along with the coffee plantations. The curers have traditional links with

the coffee estates and are reported to play a useful role in providing credits and inputs. They are generally reported to be working satisfactorily, although in same case they have failed to modernise their facilities. There is no felt need for nationalisation of curing establishments and Governments do not, therefore, feel that there are any strong reasons for going in for nationalisation.

However, it is expected that more curing works in the public sector especially in the non-traditional areas will come up. These will be encouraged and the existing private sector curing works should be encouraged to modernise. The fixation of a differential rate of payment for curing works having different types of facilities being considered by the Coffee Board is a step in the right direction. Assam and Andhra Pradesh have already gone in for public sector curing facilities and Coffee Board is being advised to encourage and render necessary technical assistance to other non-traditional States in this respect. They are also being requested to examine the feasibility of setting up grower's curing cooperatives with some financial assistance, if necessary. The existence of both public and private sector units will be in the best interest of the coffee industry since curing establishments in each sector will have to match the standards set in other sectors."

1.19 Compared with the total production of coffee of the order of 1.60 lakh tonnes estimated in 1981-82 in the country, the available curing capacity during that year was 1.14 lakh tonnes (on 31 January, 1982) i.e., short of requirement by about 0.46 lakh tonnes (about 29 per cent.). Audit had earlier pointed out that for the seasons 1974-75 to 1975-76, the Coffee Board allowed to the Coffee curers who also function as pool agents of the Board for a variety of services besides curing such as receiving and storing surplus pool coffee and making payments to growers from funds provided by the Board a return on capital at 19 per cent plus Rs. 7.75 per tonne towards bonus as against a return of 12½ per cent including bonus recommended by the Cost Accounts Officer of the Government of India. This is in contrast to a minimum return of 5 per cent in the case of robusta and 6 per cent in respect of arabica to the growers. The consequential excess payment worked out to Rs. 27.03 lakhs for 1976-77 and 1977-78 seasons. Excess payment to the tune of Rs. 34.87 lakhs was also made by permitting higher percentage of interest on borrowings during years ibid. In addition, the Board had

paid rehabilitation allowance to the tune of Rs. 6.33 lakhs at a rate of Rs. 5 per tonne during these seasons against actual purchase of machinery. The Committee fail to understand that on one hand, Coffee Board is resorting to overdrafts to make initial payments to the growers on their depositing the produce with the agents of the Coffee Board (curing establishments), whereas on the other, the curers have been allowed higher rate of interest for the moneys paid by them to the growers on behalf of the Coffee Board. The Committee would like a scientific analysis of the cash flow of the curers as well as the Coffee Board to ensure that the interest rate allowed to the curers on the moneys advanced by them is not more than what is paid by the Board to the Banks towards overdrafts.

1.20 On account of paucity of curing capacity the curing firms were in a position to dictate terms to the Board for the services rendered by them. The Committee had then opined that the whole position as it stood at that time was rather unsatisfactory and had desired that pool agency and curing functions should be taken over by the Coffee Board forthwith. The proposal to set up further curing works in the public sector should be pursued vigorously with the ultimate object of taking over the entire curing functions in a phased manner. The feasibility of setting up of cooperatives of growers for undertaking curing works and entrusting such functions to the Plantation Crops Development Corporations or other State agencies in non-traditional areas should be examined.

1.21 From the latest information furnished by the Ministry of Commerce in August, 1984, the Committee find that nothing tangible has been done by the Coffee Board in this direction to end exploitation by the curers. The present total curing capacity according to the Ministry's reply is 1.19 lakh tonnes inclusive of 15 per cent tolerance. The proposed increase to capacity was 88,350 tonnes for which 18 letters of intent were issued. Had it matured fully, the overall capacity in the country by now would have gone upto 2.08 lakh tonnes, sufficient to meet present as well as future demand for some years to come. But with the cancellation of 6 letters of intent (curing capacity 79150 tonnes) only 3 works were commissioned so far bringing the effective capacity to 1.28 lakh tonnes only leaving a shortfall of 0.32 lakh tonnes compared to the production of 1.52 lakh tonnes of coffee in 1981-82. With the continuous increase in the area under coffee plantation both in traditional and non-traditional States and due to other measures such as intensive cultivation by adopting improved agricultural practices by the coffee growers and also the use of high yielding disease resistant seed material, there has been phenomenal increase in the coffee production during the last 10/12 years. The Committee would, therefore, like to reiterate that a pragmatic

planning to increase the curing capacity should be done not only to bridge the existing gap but also to meet the future increase in production of coffee in the years to come. . . . . .

1.22 The Committee would like to be informed of the efforts made so far towards the proposed setting up of curing works in the public sector particularly in the non-traditional areas including those by Plantation, Crops Development Corporations and other State agencies and the results achieved. They desire that growers curing cooperatives should be formed as expeditiously as possible. The action taken in this regard may also be intimated to the Committee within 3 months of the presentation of this Report. . .

Prospective Plan for increasing Production of Coffee (Paras 3.105—3.110, *Sl. Nos.* 44—49)

1.23 Stressing upon the Coffee Board to play a more active role in promoting and establishing Cooperative Coffee plantations in the traditional States by providing the necessary share capital, organisational resources and technical skill/manpower and help in setting up of joint sector corporations in non-traditional States for extension of Coffee plantations for achieving the Boards objectives of increasing Coffee production in new areas, the Committee in paras 3.105—3.110 of their 127th Report has observed/recommended as follows:

> "The perspective plan for production of coffee drawn up by the Coffee Board in collaboration with the National Council of Applied Economic Research during 1976 envisages the demand for coffee to be in the region of 2 lakh tonnes by the end of this century. The demand is proposed to be met by expansion of the coffee producing areas to an extent of 1.3 lakh hectares by 1993-94, of which 72,000 hectares would be brought under coffee cultivation in the non-traditional States and the rest in the traditional coffee growing areas. The Committee have been informed that so far as the Sixth Plan is concerned, it is programmed to achieve an expansion of 38,400 hectares, of which 22,900 hectares would be brought under coffee cultivation in the non-traditional areas."
>
> (Para 3.105)

> "The Audit para has pointed out that as against the annual target of 2,800 hectares fixed for non-traditional areas and 1,600 hectares for traditional areas for the year 1978-79

the actual achievement was 102.5 hectares and 4,691 hectares respectively. The development has therefore been much below the expectations in the non-traditional areas."

(Para 3.106)

"In their study of the Indian coffee industry, the Indian Institute of Management, Ahmedabad have also pointed out (Para 3.93) that the experience of the Coffee Board in promoting higher production through bringing new areas under cultivation in traditional States has been relatively slow and yields have not been to the expectations. The study has further pointed out that while the schemes in this regard are intrinsically sound in their conception, the implementation calls for a high degree of expertise, conviction, proper orientation and long term interest. According to the study, the cooperative route appears to be the most promising one in terms of Coffee Board's objectives of increasing coffee production in new areas in the traditional States. The Committee had in their 130th Report (Fifth Lok Sabha) recommended that the Board should, with the active cooperation of the State Governments encourage setting up of cooperatives of small growers so that they may have the benefit of machinery and equipment which individual small growers cannot afford to purchase. The Committee would urge that the Coffee Board should play a more active role in promoting and establishing cooperative coffee plantations in the traditional States by providing the necessary share capital, organisational resources and technical skill/manpower. The Committee would like the Coffee Board to come out with specific proposals in this regard without loss of time."

(Para 3.107)

"So far as extension of coffee plantations in non-traditional States is concerned, the Committee find that the Coffee Board have been pursuing with the State Governments the question of setting up of joint sector corporations. The States of Andhra Pradesh, Assam, Nagaland, Manipur, Arunachal Pradesh, Orissa, Kerala and Karnataka have so far set up forest plantations development corporations charged with the responsibility of promotion of coffee in

the respective States. The other non-traditional States, viz. Mizoram, Tripura, Sikkim, Madhya Pradesh, Maharashtra and Andaman & Nicobar Islands have taken up developmental activities through their own departments of agriculture/forests. The delay in setting up the corporations is stated to be due to the inability of the State Governments to raise 1/3 of the resources by way of equity so as to avail the facility of bank loans. The Committee find that so far only 7,000 hectares out of a total of 22,900 hectares proposed to be brought under coffee cultivation in the non-traditional areas during the Sixth Plan, have been brought under coffee plantations. The Committee also find that under the subsidy scheme introduced by the Coffee Board for development of coffee mainly in non-traditional areas, a sum of Rs. 3.12 lakhs only was spent as against the budgetary provision of Rs. 28 lakhs in 1979-80. Obviously, the preparatory work required to be done in this regard left much to be desired. Since the entire coffee development programme in the non-traditional areas is a 100 per cent tribal development scheme intended to assist the weaker and backward sections of the society, the Committee urge that schemes in this regard should be drawn up without delay and implemented on a phased basis."

(Para 3.108)

"The Committee desire that the concerned agencies should be actively assisted by the Coffee Board in preparing detailed project reports and in getting necessary financial assisance therefor from the Agricultural Refinance Development Corporation."

(Para 3.109)

"As land in the tribal areas cannot be alienated, it is imperative that the idea of setting up joint sector corporations to take up plantation of coffee with the assistance of governmental agencies is pursued actively. Elsewhere in this report, the Committee have suggested that representatives of the non-traditional States should be given representation on the Coffee Board. The Committee further suggest that the States be persuaded to have a nominee of the Coffee Board on the Boards of Directors of the State Coffee Corporations and to utilise the technical, manage-

rial and consultancy services of the Coffee Board in making the corporations a success."

(Para 3.110)

1.24 In their reply dated 21 August, 1984 to Paras 3.105 to 3.107, the Ministry of Commerce have stated as under:

"The perspective plan for coffee development (2000 AD) formulated in 1976 envisages a production target of 2,00,000 tonnes per annum by the end of the century. The target of production is proposed to be achieved by improving the productivity of the existing low yielding coffee areas and also by expansion of coffee to an additional extent of 1.3 lakh hectares by 1993/94 of which 72,000 hectares would be brought under coffee cultivation in the non-traditional States and 50,000 hectares in the traditional States. The corresponding target of production for the VI Plan period is 1.6 lakh tonnes to be achieved by 1984-85 and that of expansion of coffee is 38,400 hectares of which 22,900 hectares has to be in the non traditional areas and 15,500 hectares in the traditional areas.

The targets of production as well as expansion of coffee though envisaged for each year, are only tentative targets and need not possibly be achieved in the exact time frame because the state of coffee development in the non traditional States vary from State to State. Earlier the Planning Commission while approving the Perspective Plan in 1977, directed all the State Governments where coffee expansion has been proposed, to set up corporations exclusively for implementing coffee development programmes in their States under Public/Joint sector management. So far, the State Governments of Andhra Pradesh, Assam, Nagaland, Manipur and Arunachal Pradesh have set up corporations for this purpose and the expansion of coffee in these States is relatively rapid compared to other non-traditional States where only one of the State Departments of Agriculture/Soil Conservation/Forest etc. have been entrusted with the job of coffee expansion. The Board on the other hand has been providing complete infrastructural support to all the non-traditional coffee States for providing Research, Extension, Credit and Marketing Facilities. In view of the above, review of the Coffee expansion on year to year basis

would not be appropriate. Moreover all the non-traditional coffee States have not yet fully geared up their machinery to take up coffee development programmes. Nevertheless, it may be noted that considerable progress has been achieved in terms of overall expansion and production. As against the perspective target of 1,30,000 hectres by 1993-94 and the VI Plan target of 38,400 ha., an expansion of 43,467 ha. has been achieved so far comprising 33,424 ha. in the traditional States and the rest in non-traditional areas. As against the production target of 2,00,000 tonnes per annum to be achieved by the end of the century, a production level of 1,52,100 tonnes has been reached during 1981-82."

In reply to para 3.108 the Ministry have further stated :

"The NCAER perspective plan on coffee development envisaged an additional area of 130,000 hec. coming under coffee by 2000 AD as compared to the base figure of 172,000 hec. in 1976-77 out of the total, 58,000 hec. was expected from traditional coffe growing states and 72,000 hec. from non-traditional States. The Indian Institute of Management study which went into the question has done a further analysis and has come to the conclusion that out of the proposed additional production of 100,000 tonnes, 44,300 tonnes must come from non-traditional areas while balance will come from productivity increase and new plantations in traditional areas.

According to the IIM study phasing the major increase in the production up to 82-83 *i.e.* 20,000 tonnes will come from productivity increase. This has already taken place.

According to the IIM study 30 per cent of the target for new plantations in traditional areas must be met by 1990. This means that about 11,000 hec. should have been covered by 1990. The actual progress has been much faster because as mentioned in the IIM report, an area of 51,000 hec. out of the total required to be covered in the traditional states is already available within the coffee estates themselves so that there are no problems of acquisition of land for extension planting. The coverage of these areas, being, easier, would naturally be much faster.

• For the non-traditional areas the IIM study has suggested a coverage of 10 per cent i.e. 7200 hec. by 85-86. Coverage of this order has already been achieved although it is much

less than the Sixth Plan target. Further coverage of about 30,000 hec. is proposed in the IIM report by 1990-91. The strategy for bringing about this increase will form part of Seventh Five Year Plan for the Coffee Board. With the setting up of the infrastructure of plantation corporations in non-traditional states, other developmental works being taken by the Coffee Board and the sanctioning of the man-power development programme this appears to be a feasible proposition.

The Coffee Board has been assisting the State Governments in all respects including preparation of detailed project reports for submission to Agricultural Refinance Development Corporation (now National Bank for Agriculture and Rural Development). Schemes have been drawn up for the States of Andhra Pradesh, Assam, Nagaland, Arunachal Pradesh and Manipur for expansion of coffee on a large scale, for submission to Agricultural Refinance Development Corporation (National Bank for Agriculture and Rural Development) for securing the necessary financial assistance.

The Board is being separately advised to strengthen its presence in the North East Region so that greater delegation of powers and liaison with State Governments at sufficiently higher level is facilitated."

In reply to paras 3.109 and 3.110, the Ministry have stated:

"So far the Coffee Board has assisted in preparation of detailed coffee expansion reports for the agencies in the States of Andhra Pradesh, Assam, Nagaland, Arunachal Pradesh and Manipur. The Board will assist the Governments of other States which might seek its assistance.

However, Coffee Board is being advised to press Governments of other non-traditional States to prepare Coffee expansion projects with the assistance of the Board."

"Government have decided in principle to amend the Coffee Act to include two representatives of State Governments of Non-traditional Coffee growing States by rotation.

So far as nomination of Officers is concerned the Board has already a nominee on the Board of Directors of the Assam Plantation Crops Development Corporation (APCDC) of Assam and Manipur Plantation Crops Corporation (MPCC) of Manipur. The other state corporations will be

requested to nominate the Board's representatives on their Boards of Directors."

1.25 From the information now furnished by the Ministry of Commerce, the Committee find that coffee production in the first four years of the current decade is as under:

(In tonnes)

Season	Total production
1981-82	1,52,100
1982-83	1,30,000
1983-84	1,03,000
1984-85	1,70,000 (Approx.)

1.26 The Ministry in their reply to the Committee's recommendations have stated that considerable progress has been achieved in terms of overall expansion and production. As against the proposed target of 1,30,000 hec. by 1993-94 and VI Plan target of the expansion of the Coffee producing areas to the extent of 38,400 hec., an expansion of 43,467 hec. has been achieved so far (August 1984) comprising of 33,424 hec. in the traditional States and rest (10,043 hec.) in non-traditional areas. As against the production target of 2,00,000 tonnes per annum to be achieved by the end of the century, a production level of 1,52,00 tonnes has been reached during 1981-82. The Committee note that though there has been appreciable increase in the production of Coffee as a whole in the country and there is considerable expansion of coffee plantations in the traditional States, the picture of extension of coffee plantations in the non-traditional States is somewhat dismal. As against the target of 72,000 hac. by 1993-94 and 22,900 hec. by 1984-85, to be brought under coffee cultivation, the achievement is only 10,043 hectares (about 14% in respect of first target and 44% in the case of VI Plan target). The Committee in their original report had already drawn attention to similar position in 1978-79 when against the annual target of 2,800 hec. fixed for non-traditional areas, the actual achievement was, paltry 102.5 hec. (3.66 percent only). While the Committee do not want to deprecate the efforts made by the Coffee Board in this direction, they desire that balance should be struck between traditional and non-traditional States in the matter of expansion of coffee producing

areas. They would, therefore, reiterate that a more rational programme for development of coffee in non-traditional areas both in terms of productivity increase and new plantations should be prepared for the Seventh Plan period and implemented on year to year basis to achieve the target set forth for 1993-94. The Committee are unable to appreciate the views expressed by the Ministry of Commerce in this regard (vide sub para of Action Taken Note at para 1.24 of the Report) that 'The targets of production as well as expansion of coffee though envisaged for each year, are only tentative targets and need not possibly be achieved in the exact time frame because the state of coffee development in the non-traditional States vary from State to State.'

1.27 Another disturbing feature the Committee would like to point out in this regard is the wide fluctuations in the production pattern of coffee. From the yearly production figures in the previous decade given in 127th Report it will be seen that whereas the total production of coffee in 1972-73 rose to 91072 tonnes, it tumbled down to 83982 tonnes in 1975-76. Similarly, after getting a record production of about 1,50,000 tonnes in 1979-80, it came down to 1,15,140 tonnes the very next year i.e. in 1980-81. The same process is being repeated in the current decade when in its first year (1981-82) the production was 1,52,100 tonnes but in 1983-84, it came down to mere 1,03,000 tonnes (short by 32%). The estimated figure for 1984-85 is 1,70,000 tonnes. The Committee view this phenomenon with much concern. This disturbing trend not only effects the lot of the grower particularly the small cultivator but upsets the availability of this commodity for internal consumption as well as for export purposes. The Committee do agree with the Ministry's view that coffee being a perennial crop, the size of production is largely conditioned by seasonal vagaries and is subject to cyclic variation. The Ministry of Commerce should take adequate steps to stabilise and improve the production by employing modern techniques. They would like to be informed of the action taken in this regard and the success achieved.

Promotion of Coffee in non-traditional areas (Paras 4.9—4.10—Sl. Nos. 51 and 52)

1.28 Stressing the need to popularise consumption of coffee in the non-traditional areas, the Committee in Paras 4.9 & 4-10 of their 127th Report had recommended as follows :

"The expenditure on Propaganda Department was of the order of Rs. 5.28 crores in 1978-79, Rs. 4.71 crores in 1979-80 and

Rs. 5.19 crores in 1980-81 as against receipts to the tune of Rs. 5.67 crores, Rs. 5.42 crores and Rs. 5.87 crores in the respective years. The main objective and purpose of the Department is stated to be to promote domestic coffee consumption. In justification of the high volume of expenditure on the Department, the Ministry have furnished figures of coffee consumption in India, which indicate that over the last two decades the annual consumption of coffee has gone up from nearly 30,000 tonnes in 1960 to 50,000 tonnes in 1981 (Estimated) *i.e.* at an average rate of about 3 per cent per annum. The Committee would like to point out that this increase cannot be attributed entirely to the efforts of the Propaganda Department. As coffee is a traditionally accepted beverage in the southern States, the Coffee Board could hardly take credit for the increased consumption in the rgion. Part of this increase is in any case attributable to the population increase. The Committee consider that the real test of success of the Board's efforts lies in the increase in coffee consumption in non-traditional areas. The Committee find that although the consumption of coffee in non-traditional areas has increased from 8,737 tonnes in 1974 to 10,791 tonnes in 1979, such areas still account for only about 1/5th of the total coffee consumption in the country. The Committee therefore consider that the Coffee Board must concentrate its energies on popularising coffee in the non-traditional areas."

(Para 4.9)

"The Sixth Plan projects an increase of 15,000 tonnes in domestic consumption *i.e.* an annual increase of 3,100 tonnes as against the present level of increase of 2,000 tonnes per year. To start with, it is proposed to set up coffee promotional centres in 12 urban and industrial centres of the country for conversion of raw coffee into pure quality ground coffee and its distribution, dissemination of right techniques of coffee roasting, grinding and brewing, serving of good quality liquid coffee from a coffee bar attached to each centre and administration of publicity programme around the centres in various localities. These centres would thus integrate all functions of coffee promotion keeping in view the situation obtaining in non-traditional areas. The Committee are of the view that the task of coffee promotion in non-traditional areas calls for change in the outlook as well as perspective of the Coffee Board. A stage has now been reached when

it is necessary that the Board ceases to be an organization looking after only the traditional areas in the South. It must expand its horizon to other non-traditional areas in the country particularly in the North and North-East by actively involving the State Governments of these regions. The Committee suggest that for market development in non-traditional areas the Coffee Board should supplement its own channels of distribution and develop the normal trade channels also, so that it is in a position to reach the consumer in the remotest areas of the country."

(Para 4.10)

1.29 In their note dated 25 August, 1984, the Ministry of Commerce have furnished the following information:

"Detailed plans to start Coffee Promotional Centres in 12 urban and industrial centres of the country, from where pure coffee powder be made available for sale to the consuming public in non-traditional areas through a wide distribution net work and from where right techniques of coffee roasting, grinding and brewing would be taught and serving of good quality liquid coffee from coffee bars attached to such centres would be ensured, are under examination of the Government.

Under the existing set up, agencies for sale of coffee powder are also being granted through the Propaganda Units in the non-traditional areas to promote increased internal consumption of coffee."

"With a view to popularising the Coffee drinking habit in the States of Assam and Nagaland, Coffee Board discussed with the representatives of the State Governments. Plans for settinp up of Coffee House in the Secretariat Complex in Dispur, Gauhati, were drawn up, and sent to the Government of Assam, who had agreed to put up necessary building for setting up a Coffee House, by the Coffee Board. The matter is being followed up with the State Government. Meanwhile, an India Coffee Depot has started functioning in Gauhati from 20-7-1982 from where coffee seeds and powder are made available to the public.

Discussions were also held with the Agricultural Minister of Government of Nagaland, who agreed to make suitable

accommodation available to the Coffee Board for setting up a coffee House in Kohima. The Government of India have also cleared the scheme and sanctioned the staff required for this purpose. The Government of Nagaland have been requested to make the building available at an early date to enable the Board to set up this coffee House in Kohima.

Pool Collecting Depots are already functioning in Gauhati and Halflong to receive coffee from the nearby plantations in the area.

Provisions have also been made in the Budget Estimates for 1983-84 for setting up 3 India Coffee Depots in the non-traditional areas during the year, subject to availability of buildings.

In addition to the action already taken by the Coffee Board, Government has advised the Board to prepare a scheme for promotion of coffee sales through normal trade channels in non-traditional areas and to upgrade its schemes for that region."

1.30 In their earlier Report the Committee had pointed out that the increase in the annual consumption of Coffee from 30,000 tonnes in 1960 to 50,000 tonnes in 1981 could not be attributed entirely to the efforts of its Propaganda Department. Part of this increase was attributable to the population increase also. The real test of success of the Coffee Board's efforts towards promotion of coffee, according to the Committee, lay in the increase in coffee consumption in non-traditional areas. The Committee had inter-alia **recommended that for market development in non-traditional areas the Coffee Board should supplement its own channels of distribution and develop the normal trade channels also so that it is in a position to reach the consumer in the remotest areas of the country.**

1.31 The Action taken Note (August 1984) of the Ministry on the above recommendations of the Committee that 'detailed plans to start coffee Promotional Centres in 12 urban and industrial centres of the country, from where pure coffee powder would be made available for sale to the consuming public in non-traditional areas through a wide distribution net work and from where right techniques of coffee roasting, grinding and brewing would be taught and serving of good quality liquid coffee from coffee bars attached to such centres would

be ensured, are under examination of the Government' is a repetition of what they furnished to the Committee in 1981-82. It showed that what the Ministry proposed to do then is still under examination of the Government though a period of 3 years has elapsed.

1.32 The Government have advised the Board "to prepare a scheme for promotion of coffee sales through normal trade channels in non-traditional areas and to up-grade its scheme for that region." The Committee would like the Ministry to intimate the precise action taken by the Board on their advice. The Committee would also like the Ministry to evaluate every year the increase in the consumption of coffee in non-traditional areas and take corrective measures to increase the consumption.

CHAPTER II

RECOMMENDATIONS OR OBSERVATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation

As early as in September, 1976 the Marketing Committee and the Executive Committee of the Coffee Board decided "to commission a detailed study of the Board's organizational set-up from the point of view of its adequacy to handle its present assigned role and responsibilities and the future development needs with a view to reorganize the organizational structure and streamlining and modernising the methods and procedures of its working to meet the requirements of a growing efficient commercial body." The minutes of the aforesaid meetings of the Marketing Committee and the Executive Committee were forwarded to the Ministry in the usual manner. However, the Ministry was not specifically consulted by the Board before entrusting this study to the Indian Institute of Management Ahmedabad.

[Sl. No. 7 (Para 1.32) of Appendix II of 127th Report of PAC (7th Lok Sabha)]

Action taken

This is a factual position, as explained by the then Chairman before the PAC. However, the recommendation has been noted by the Coffee Board for future guidence.

The proposal to enlarge the Board to include representatives of Central Government will ensure better consultations between Government and the Coffee Board for such important matters.

[Ministry of Commerce, O.M. No. 10/2/83-Plant (B) dated 21-8-1984]

Recommendation

The Committee find that on receipt of the Report of the Indian Institute of Management, Ahmedabad in May, 1978, the Board

constituted a Special Committee to consider the Report and to review and propose necessary amendments to the Coffee Act/Rules. With the term of the Board coming to a close in February, 1981, the terms of the Special Committee also came to a close. The Executive Committee of the new Board, which was constituted by the Government of India with effect from 1st July, 1981, reconstituted the Special Committee at its meeting held in November, 1981. The Special Committee is expected to submit its final report to the Executive Committee and the Board shortly.

[Sl. No. 8 (Para 1.33) of Appendix II of 127th Report of PAC (7th Lok Sabha)]

Action taken

The suggestions/decisions of the special Committee on the various recommendations contained in the report of the Indian Institute of Management, Ahmedabad, and the final decisions/suggestions of the Board have been received by the Government. Further comments may be seen in reply to Para No. 1.35.

[Ministry of Commerce. O.M. No. 10|2|83-Plant (B) dated 21-8-1984]

Recommendation

The Committee are greatly surprised to find that in such important matters as the review of the Coffee Act and the functioning of the Board in the light of changed conditions, the Board did not deem it necessary to keep the Ministry apprised of its decision to commission the services of the Indian Institute of Management, Ahmedabad. The Committee are not convinced with the argument that "there is no specific requirement under the Act or Rules for prior consultation with Government". The Committee are of the view that a study of such far reaching implications as this, *inter-alia* in the light of the observations of the PAC from time to time, ought to have been initiated by Government or atleast the terms thereof settled with the specific approval of Government. It is regrettable that the Ministry did not even take any cognizance of the minutes of the Executive Committee and the Marketing Committee containing their decision to institute the study. This only indicates the perfunctory nature of monitoring done by the Ministry with regard to the functioning of the Coffee Board.

[Sl. No. 9 (Para 1.34) of Appendix II of 127th Report of PAC (7th Lok Sabha)]

Action taken

It is agreed in principle to amend the Coffee Act to provide for regular representation of the Central Government nominee in the Coffee Board, as in the case of other commodity Boards. It is hoped that this step will ensure closer monitoring of the Coffee Board. It will also help the Ministry officials concerned in having a better understanding of important issues since they will be participating in the deliberations.

[Ministry of Commerce, O.M. No. 10/2/83-Plant (B) dated 21-8-1984]

Recommendation

The Committee regret to point out that even after a lapse of 1½ years since the Report of the Indian Institute of Management Ahmedabad became available to the Coffee Board, there is no evidence of any concrete steps having been taken by the Board or by the Ministry to implement the acceptable suggestions contained therein. It is obvious that had the Ministry kept a track of this development, matters would not have been allowed to drift. In paragraph 1.25 the Committee have drawn attention to several useful suggestions which need to be given serious consideration. The Committee would therefore urge the Ministry to come out with specific proposals for reorganisation of the Coffee Board so as to ensure that its functioning is re-oriented and streamlined to enable it to meet successfully the changing conditions in coffee cultivation, industry and trade both in India and abroad. The Committee desire to be furnished with a detailed report on the action taken on the various suggestions contained in the study made by the Indian Institute of Management, Ahmedabad within a period of six months.

[Sl. No. 10 (Para 1.35) of Appendix II of 127th Report of PAC (7th Lok Sabha)]

Action taken

The delay is regretted by the Board.

The Board's Comments on Study Report made by the Indian Institute of Management, Ahmedabad, have been examined. Ministry's comments in brief with respect to points listed in para 1.25 of PAC report are as follows:

(1) & (2) It is accepted that the Board needs to play a more active role in market development particularly in the non-traditional

coffee consuming areas in the country. It is also accepted that the Board should promote setting up of coffee processing plants and value-added products. In this connection it may be noted that the following capacities for instant coffee which is a value-added product are coming up:

Existing installed capacity	4170 tonnes per annum.
Expansion plans of existing units.	3500 tonnes per annum.
Pending applications for additional capacity.	10200 tonnes per annum.

In view of satisfactory progress, there does not appear to be any immediate need for the Board itself to set up its own plants. May also see reply to para 4.22 & 4.23.

(3) The Coffee Board, with its pooling arrangements, is a unique institution which had helped in the stabilisation of the returns to coffee growers in the following way:

1. The Coffee growers are assured that all the coffee offered to the Board will be included in the Pool and at least the minimum release price paid to them. The minimum release price is based on costing done by the Cost Accounts Branch of the Finance Ministry and takes into account the costs of cultivation and the need for minimum post-tax return of 10 per cent of net worth. The actual realisation in the internal auctions prices is invariably higher. The export auction since 1968 have been substantially higher than the prices secured in internal auctions.

2. The Coffee Board times the release of coffee in the domestic market in such a manner as to avoid shortages or glut.

3. The prices of coffee exports are sought to be regulated through the agency of the international coffee agreement.

4. In the past few years returns to coffee growers have shown a steady increase.

In effect, the Board is using its Pool Funds to stabilise prices and therefore, there does not appear to be any need to have a separate price stabilisation fund. The pooling system of the Coffee Board has worked well and the growers have been generally satisfied with its functioning.

The recommendation in the IIM report involves keeping back of a portion of higher realisations in good years for ensuring better returns in years of lower prices. This is not acceptable to the Coffee Board which itself is primarily a grower's body. It has, therefore, not accepted the suggestion for a price stabilisation fund. It may be added here that for primary agricultural commodities, fluctuations in price are inherent in the production process and perfectly stable prices would be very difficult to ensure. What the Board under the present system has succeeded in doing is to ensure that the grower gets a certain minimum return on the cost of cultivation, irrespective of price fluctuations.

(4) Sufficient funds are being provided to the Coffee Board under the plan provisions for extension and development programmes on the basis of proposals by the Coffee Board. While there is scope for review of the existing scheme as well as need for devising new schemes to be able to reach the small and marginal farmers more effectively, there is no need as such for the creation of a special development fund. Duties and taxes on various commodities are credited to the Consolidated Fund of India, proceeds of which are then utilised in accordance with the budget approved by Parliament for various activities including coffee development. This arrangement has, by and large, worked well and it would not be proper to have a different arrangement for one commodity.

(5) & (6) The Coffee Board has in principle accepted the recommendation for reorganisation of the marketing division of the Coffee Board with integration of promotional and marketing functions. The suggestions relating to market research and quality control functions are also acceptable.

(7) In view of the good response from the private sector relating to the setting up of plants for producing processed and instant coffee, there does not appear to be any immediate need for setting up a cooperative marketing organisation with the involvement of the Coffee Board. The demand for such products is at present small and mainly confined to the non-traditional areas. The State Plantation Corporations can set up such plants wherever feasible. However, the Board is being advised to encourage and help the formation of such cooperative at the appropriate time on the basis of felt needs. The Board is also being advised to consider proposals

for strengthening and restructuring its marketing organisation in non-traditional areas in accordance with the needs for market promotion in those areas.

(8) The recommendation relating to need to employ modern management systems and practices is accepted in principle. The Board is separately considering reorganisation of marketing division.

(9) Observations made at Para 9 will also be kept in view by the Board.

(10) The need for including representatives from non-traditional Coffee States is accepted and will be kept in view at the time of reconstitution of the Board. Since a closer involvement with Government is necessary it is felt that provision will have to made for including representatives of the Central Government in the Board as in the case of other Commodity Boards under the Commerce Ministry. They will also improve monitoring. Delegation of powers is reviewed from time to time. Liberalization of powers for investment or borrowing can be considered as and when this becomes necessary.

As regards re-organisation of the Coffee Board the view of the Government with reference to the Members of the Board is given in reply to paras No. 1.26 to 1.31.

[Ministry of Commerce, O.M. No. 10/2/83-Plant (B) dated 21-8-1984]

Recommendation

The Audit para has pointed out that surpluses in the Pool Fund after making payments to the growers and meeting expenses on storage, curing transport, marketing etc. are required to be transferred to the General Fund with the previous sanction of Government. As on 31 October, 1978 the accumulated surplus in the Pool Fund Account amounted to Rs. 16.16 crores. The Committee have been informed that this figure represents amounts awaiting distribution amongst the growers in respect of coffee pooled by them but not yet claimed by them and that such balances were allowed to be carried forward for three to four years from the date of becoming due. The outstandings had been reduced to Rs. 81.63 lakhs relating to 1975-76 and 1976-77 Coffee seasons. The Ministry had assured the Committee that the balances were being reviewed and after making payments to growers fully, the remaining amounts

were expected to be transferred to General Fund by 31 December, 1982.

[Sl. No. 11 (Para 2.15) of Appendix II of 127th Report of PAC (7th Lok Sabha)]

Action taken

Coffee Board has confirmed that adjustments are being carried out in the accounts of 1981-82 season to clear the undistributed pool funds balances relating 1975-76 and 1976-77 season fully.

[Ministry of Commerce, O.M. No. 10/2/83-Plant (B) dated 21-8-1984]

Recommendation

The Committee are concerned to note that an inordinately long time is taken in the process of accounting of disbursals and exhibition in the relevant years accounts and making final payments to the growers. In a later section of this Report, the Committee have emphasised the need for streamlining the accounting system with a veiw to reducing the timelag in the finalisation of the accounts and their submission to Audit. This is important since a large majority of the growers are small peasants who look to the Board for quick payment of their dues. The Committee are emphatic that consequent to the decision to shorten the accounting period to 12 months all endeavour would be made to make payments to the growers expeditiously. The Committee consider that normally final payment to a grower should not be delayed beyond 18 months for produce pooled in any one coffee season or beyond six months of closing the accounts.

[Sl. No. 12 (Para 2.16) of Appendix II of 127th Report of PAC (7th Lok Sabha)]

Action taken

As per information furnished by the Board, the payment to growers has improved so that for 1981-82, 97.4 per cent of the estimated total payment for the season has generally been paid within 18 months. Separately further improvements in a accounting system are under consideration including computerisation and this may ultimately result in reducing payment period further.

[Ministry of Commerce, O.M. No. 10/2/83-Plant (B) dated 21-8-1984]

Recommendation

From the information furnished, the Committee find that the time taken for completion of the Pool Fund Accounts during the pool fund years 1970-71 to 1978-79 has ranged between 18 to 24 months. The further time taken for submitting the accounts to audit was between 9 to 14 months in seven out of these nine years. Thus, the entire process took inordinately long time. Since 1979-80, the Coffee Board has, as an experimental measure, reduced the period of closing the accounts to 12 months starting from 1 January and ending on 31 December.

[Sl. No. 15 (Para 2.32) of Appendix II of 127th Report of PAC (7th Lok Sabha)].

Recommendation

As early as in October, 1965, the Public Accounts Committee had, in para 2.35 of their 41st Report (Third Lok Sabha), drawn attention of the Ministry to the need for reducing the time lag in presenting the accounts of the Pool Fund in consultation with the C&AG. The Committee are distressed to find that no such consultation has taken place during the last 16 years and that no timely effort has been made to reduce the huge time lag. It is only after receipt of the present audit report that the Board appears to have taken certain steps for reducing/eliminating the delays in compiling the accounts viz. alternig, where necessary, the old procedures and/or installing new internal procedures to speed up the receipt of accounting information, changing and improving the accounting forms; reducing the accounting period to 12 months as an experimental measure; starting preliminary work on improvement of accounting system and establishing facilities for training of staff and supervisors etc.

[Sl. No. 16 (Para 2.33) of Appendix II of 127th Report of PAC (7th Lok Sabha)].

Recommendation

The Committee consider it imperative that the accounting methods are streamlined to enable the Coffee Board to handle the increasing volume of transactions and timely submission of Accounts to Audit and audited accounts to Parliament. The Committee would, therefore, urge that the above stated steps designed to make for speed compilation of accounts and audit thereof, are pursued vigorously in consultation with the C&AG. The Committee would watch with interest the results of these efforts which should be reflected in

the finalisation of future accounts. The Committee would like to emphasise that the accounts should be invariably closed within six months of the close of Coffee season for submission to Audit.

[Sl. No. 17 (Para 2.34) of Appendix II of 127th Report of PAC (7th Lok Sabha)].

Action taken

The Board is considering streamlining of accounts and avoiding delay by computerisation of accounts of the Pool Fund. Government is advising the Board to consult the C&AG also in this regard.

The following steps have been taken by the Coffee Board to streamline the accounts of Pool Fund.

Alterations in the procedures

(1) Conversion of Pool Fund accounts in the out station into collection accounts and arranging for daily transfers to the Head Office Accounts.

(2) Centralisation of all payments by the Head Office by way of drawing of on par cheques.

(3) Installation of the new procedures for remittances of the sale proceeds by the buyers of coffee.

Alterations in the accounting forms.

(1) Change of the cash books from the ordinary format into column-wise cash book.

(2) Complete modification of the statement of receipts and disposals of coffee (Stock accounts).

Alteration in the accounting methods:

(1) Introduction of sale planning methods in the ledger.

(2) Introduction of the system of control account.

[Ministry of Commerce, O.M. No. 10/2/83—Plant (B) dated 21-8-1984].

Recommendation

In this connection, the Committee would also like to point out that while the accounts of the General Fund are required to be submitted to the Central Government along with the Auditor's Report thereon, the pool fund accounts and audited report thereon are sub-

mitted to the Coffee Board for approval and that these are placed before Parliament only as a matter of convention. The Committee are of the view that this practice should continue and in due course the Coffee Act should be amended suitably so as to cast a statutory duty on the Coffee Board to place these accounts before Parliament in the interest of accountability.

[Sl. No. 18 (Para 2.35) of Appendix II of 127th Report of PAC (7th Lok Sabha)].

Action taken

The Coffee Act will be amended suitably to cast a statutory duty on the Coffee Board to place audited accounts of the Pool Fund before Parliament as in the case of accounts of the General Funds.

[Ministry of Commerce, O.M. No. 10/2/83—Plant (B) dated 21-8-1984].

Recommendation

In this connection the Committee would further like to draw attention to the need for proper budgeting of the Pool expenses. As pointed out by the United Planter's Association of Southern India, annual budgeting is done only in regard to the administration of the Pool Fund which forms barely 4 per cent of the total Pool expenditure. As further pointed out by the Association, the feasibility of reintroducing the practice in vogue until 1971-72 season of incorporating the Income & Expenditure Statement and the Balance Sheet of the Pool Fund in the Board's Annual Report should be examined to ensure proper control over the Pool Fund expenditure. The Committee need hardly underline the desirability of exercising greater vigilance in the scrutiny and control over the Pool Fund expenditure which is stated to have an annual inflow of about Rs. 200 crores. The Committee, therefore, urge that the entire budget of the pool fund should be got approved by the Coffee Board.

[Sl. No. 19 (Para 2.36) of Appendix II of 127th Report of PAC (7th Lok Sabha)].

Action taken

Coffee Board has been advised to take steps for incorporating income and expenditure statements and balance sheet of the Pool Fund in the Board's Annual Report. They have been asked to submit proposals for strengthening of accounts division of the Coffee

Board required for this purpose. The Marketing Committee of the Board has decided to entrust the work of devising a proper budgeting system for this purpose to a consultancy firm.

[Ministry of Commerce, O.M. No. 10/2/83—Plant (B) dated 21-8-1984].

Recommendation

India is among the top seven coffee producing countries in the world. The production of coffee during the decade 1971-72 to 1980-81 has gone up from 68948 tonnes to over 1.15 lakhs tonnes. During the year 1979-80 the production reached a peak of over 1.49 lakh tonnes which is stated to be the highest on record in the country. The average productivity per hectare of bearing area is stated to have increased from 555.14 kilograms in 1971-72 to 885.32 kilograms in 1979-80.

[S. No. 20 (Para 3.9) of Appendix II of 127th Report of PAC (7th Lok Sabha)].

Recommendation

In terms of planted area, the productivity is stated to have increased from 498 kilograms per hectare in 1971-72 to 574.78 kilograms in 1978-79. The data for the coffee seasons 1973-74 to 1978-79 given in the Audit Report, however, indicate that the production has stagnated at around 600 kilograms per hectare of planted area, except during 1977-78 when the production shot up to 710 kilograms per hectare. The Committee have been informed that the data adopted by Audit was based on the figures indicated in a circular issued in August, 1979 by the U.S. Department of Agriculture who in turn were stated to have collected the same from their own sources in our country. The Committee consider it unfortunate that no attempt was made by the Ministry to correct the discrepancy till the matter came under examination of the Committee.

[S. No. 21 (Para 3.10) of Appendix II of 127th Report of PAC (7th Lok Sabha)].

Recommendation

The Committee find that till recently the productivity in India was determined on the basis of the planted area rather than the

harvested area as per international practice. The data for India shown in the FAO's Production Year Book (1979) is also stated to be on the basis of the planted area and not the harvested area.

[S. No. 22 (Para 3.11) of Appendix II of 127th Report of PAC (7th Lok Sabha)].

Recommendation

The Committee find that in respect of such other commodities as tea and cardamom also, the international practice is to reckon productivity on the basis of bearing area. However, Tea Statistics brought out by the Tea Board annually continues to present productivity with reference to planted area. The Committee consider that such anomalies in the presentation of data which are published by the FAO and other international agencies need to be rectified immediately. The committee would like Government to issue necessary instruction in the matter without loss of time.

[S. No. 23 (Para 3.12) of Appendix II of 127th Report of PAC (7th Lok Sabha)].

Action taken

The average productivity per ha. of estimated bearing area has increased from 555.14 Kg., in 1971-72 to 888.10 kg. in 1979-80. Regarding the coffee productivity per ha. for the years 1980-81 and 1981-82 the actual data on bearing area is awaited from the recent census undertaken by the Coffee Board but yet to be compiled.

To review modalities and presentation of 'Coffee Statistics' Chairman, Coffee Board constituted a Committee on 5-2-1982 consisting of Heads of Departments of Board and a Senior Officer (Additional Director) of the Central Statistical Organisation, New Delhi. The committee desired that the productivity should be published vis-a-vis both planted area and bearing area.

The Coffee Board has since been publishing the productivity figures based on planted as well as bearing area as per the report of the Special Committee.

However, the lapse indicated in para 3.10 is regretted.

[Ministry of Commerce, O.M. No. 10|2|83—Plants (B) dated 21-8-1984].

Recommendation

The Committee find that of a total of 70,509 coffee estates registered as on 31-3-1979, as many as 56,159 holdings were below two hectares and another 12,268 estates had a planted area of over two hectares but less than ten hectares. Thus, over 97 per cent of the holdings are small holdings with limited financial resources and low productivity. The Committee have been informed that in view of several variable and interacting factors such as plant material, age of coffee plants, level of cultivation, application of inputs, timely and adequate rainfall, elevation, soil fertility, etc., it has been found difficulto to precisely define an economic holding. According to the statutory definition a small grower is considered to be one who holds upto 20 hectares (50 acres). The Ministry have stated that while for production statistics the statutory definition has been adopted, for the purpose of extending financial assistance to small growers, those owing upto ten hectares are considered as small growers.

[S. No. 24 (Para 3.26) of Appendix II of 127th Report of PAC (7th Lok Sabha)]

Recommendation

The Committee are amazed to find that so far no attempt has been made to lay down a definition of an economic holding so far as coffee estates are concerned. The Committee consider that in order to ensure that concentrated attention and maximum financial and other assistance is made available to the uneconomic units in order to make them economically viable, it is necesary that this lacuna is removed without delay. The Committee would like to point out in this connection that in the land ceiling laws passed by various States, due consideration has been given to the variable factors within different districts or areas in a State, such as the nature of the soil, climatic conditions etc. which are applicable to Coffee plantations also. There is no reason why an exercise of this nature cannot be attempted successfully in case of coffee plantations in order to determine economic size of holdings region-wise and variety-wise. The Committee expect that the assurance given to them in this regard by the representatives of the Ministry during evidence would be carried out early.

[S. No. 25 (Para No. 3.27) of Appendix II of 127th Report of PAC (7th Lok Sabha)].

Action taken

The Coffee Board has decided to commission a study on determination of economic size of coffee holdings with the assistance of National Council for Applied Economic Research.

It has been decided to amend Rule 2(11) of the Coffee Rules so that only holdings below 10 hectares are treated as small holdings, instead of holdings below 20 hectares. This amendment will avoid confusion and will ensure concentrated attention on persons needing more assistance.

[Ministry of Commerce, O.M. No. 10/2/83—Plant (B) dated 21-8-1984].

Recommendation

The Committee note that the Coffee Board has introduced six types of developmental loan schemes for assisting the coffee growers to meet their long term and short term needs. These are-(1) Intensive Cultivation Loan, (2) Special Purpose Loan, (3) Extensive Cultivation Loan, (4) Crop Loan, (5) Replantation Loan and (6) Loan for Purchase of Equipment and Machinery on hire purchase terms. Audit have pointed out that till the end of 1978-79 a small percentage of the small growers (owing less than 50 acres each) had taken advantage of the various developmental schemes despite the fact that they represented 90 per cent of the growers. The data furnished by the Ministry for subsequent years shows that there has been hardly any visible improvement in the situation. During the years 1978-79 to 1980-81 only 7,815 growers out of a total of 69,524 growers (11.2 per cent) owing upto 20 hectares availed of the various loan schemes. The total amount disbursed during these years under all these schemes was Rs. 9.54 crores only. Of this, the share of 5,831 small growers owning upto 4 hectares was Rs. 3.26 crores. Thus, the smallest of growers who constitute bulk of the growers in this category and who need maximum assistance, received only 33 per cent of the loans.

[S. No. 26 (Para 3.39) of Appendix II of 127th Report of PAC (7th Lok Sabha)].

Recommendation

It is obvious that the various schemes of financial assistance floated by the Coffee Board have benefited only a very shall percentage of growers and the smallest of them have in fact been neglected. The study carried out by the Indian Institute of Management, Ahmedabad has pointed out that while the bigger coffee growers make demands on the Board's services and have benefited from them, the small growers, because of their ignorance, in-ertia, lack of conviction or poor organization and economic resources have not res-

ponded to the Coffee Board's range of services and that they continue to depend on non-institutional finance. This is indeed unfortunate and reflects the indifference of the Board to the requirements of the small grower. The Committee desire that a thorough evaluation of the various loan schemes should be carried out without delay so as to ascertain the reasons for the inability of the Coffee Board to reach the small grower and to re-orient the incentive schemes into a purposeful package for achieving the desired results, viz. improvement of the lot of the small cultivator and augmenting productivity per hectare, which are complementary objectives.

[S. No. 27 (Para 3.40) of Appendix II of 127th Report of PAC (7th Lok Sabha)].

Action taken

The various measures that have already been implemented by the Coffee Board have certainly had a definite impact on the production and productivity of the small growers as could be seen from the following statement :

Year	Production (in tonnes)	Production (in Kg /ha)
1971-72	31745	453.50
1979-80	91507	904.70

Over a period of 9 years, the production and productivity of small growers have increased by 198 per cent and 99 per cent respectively. The overall productivity (composite for both small and large growers) level in 1971-72 and 1979-80 was 555.14 kg./ha. and 888.10 kg./ha. respectively. Compared with this overall productivity levels, the productivity level for small growers in 1971-72 was less than the corresponding overall productivity level for 1971-72. But in 1979-80, it exceeded the corresponding productivity level for all growers by 16.6 kg./ha. This comparison should conclusively establish the tremendous impact which the various measures implemented by the Board have had on the production and productivity of the small growers, either directly or indirectly.

Coffee Board has been advised to maintain more actively liaison with NABARD, commercial and cooperative banks etc., to enlarge the facility for loans and to assist in preparation of project reports and their appraisal. Large scale assistance will only be possible through loans from various financial institutions which could be

fruitfully deployed for augmenting production, productivity, marketing etc. Coffee Board can provide increased subsidies related to the programme of institutional financing.

[Ministry of Commerce, O.M. No. 10/2/83—Plant (B) dated 21-8-1984].

Recommendation

The Committee urge that financial assistance on a much larger scale than provided so far should be arranged if the productivity of the small growers is to be stepped up. Apart from the Board subsidizing the interest payable by small growers, the feasibility of getting bank credit extended to them directly under the Differential Rates of Interest (DRI) Scheme may also be considered by the Government. The question of providing banking facilities in these areas should also be taken up by the Coffee Board with the Ministries of Commerce and Finance. Needless to say that the procedures for sanctioning loans have not only to be simplified and streamlined, wide publicity should also be given to the various schemes in the coffee growing areas in the regional languages.

[S. No. 28 (Para 3.41) of Appendix II of 127th Report of PAC (7th Lok Sabha)].

Action taken

The Board has been advised to start an active dialogue with the Commercial and Cooperative Banking Institutions and NABARD to increase the level of loaning to holders below 10 hectares even before completion of the study relating to economic size holding, which only relates to holdings less than 2 hectares. The proposal of the Board for enhancement of scales of loans and subsidies is being considered separately.

The loaning under DRI Scheme is limited to 1 per cent of total loaning by banking and the scheme is meant for the poorest of the poor. Only persons having income below Rs. 2,000 per annum in the rural areas are eligible for such loans. A grower having 2 hectares under coffee plantation would normally exceed this income limit. With the limited funds available the coverage of even the poorest is inadequate and the possibility of DRI loans becoming available for small coffee growers seems to be remote (in view of the income criterion). However, a reference has been made to the Reserve Bank of India in this connection.

Procedures for sanctioning loans are being simplified and streamlined to the maximum extent possible, keeping the interests of the Board and of the Government in view.

The Board's loan and subsidy schemes have been given wide publicity through (1) the Board's Extension staff; (2) Communications addressed to all the growers' associations, and (3) the Board's monthly Publication, 'Indian Coffee', published in four languages, viz. English, Kannada, Malayalam and Tamil. The question of undertaking publicity through the visual medium (exhibition of film slides in cinema houses) will be examined and suitable action taken.

[Ministry of Commerce, O.M. No. 10|2|83-Plant(B) dated 21-8-1984]

Recommendation

The Committee understand that in order to provide more effective extension service to the small growers the Board have reduced the jurisdiction of extension officers from 15,000 to 5,000 hectares. The Committee consider that apart from providing more financial resonrces to the small growers, it is necessary for the Board to make available the services of skilled personnel to the small farmers who are largely illiterate and ignorant of modern methods of coffee cultivation. The extension staff must be given a phased and well-thought-out programme for stepping up production in the small estates and they must be made accountable for achieving the targets. The Committee are of the view that the expansion of coffee cultivation in non-traditional areas calls for further strengthening and augmenting the number of demonstration farms|extension centres as well as setting up of regional research centres like the one established recently in Tamil Nadu in collaboration with the Agricultural University at Coimbatore. The Committee would urge the Board to take energetic steps in this direction under a time bound programme.

[S. No. 31 (Para 3.51) of Appendix II of 127th Report of PAC (7th Lok Sabha)]

Action taken

Committee's observations have been noted by the Coffee Board.

The extension services of Coffee Board have been suitably oriented to concentrate their advisory visits to the small holding particularly present holding below 10 acres. They have also been instructed to assess the present situation of each small farmer, as regards the productivity level and to suggest measures which

will rapidly raise productivity. During the visits the small farmers also will be advised on the type of development that is required on the holding, the cost thereof, investment required. Thereafter, the credit needs of the farmers also should be assessed and the grower helped to obtain the needed credit and all technical help given to raise the yield to enable the grower to repay the credit advanced. Physical and financial targets will be fixed to each Extension functionary as regards visit to small holdings, drawing up production plants, supply of credit etc. The matter of establishing a Regional Coffee Research Station as proposed by T.N.A.U. in Tamil Nadu is being pursued in Assam also.

Regarding strengthening and augmenting number of Demonstration Farms|Extension Centres, etc. it may be mentioned that Coffee Board has been operating several Plan Programmes under which 4 Extension Centres at Chintapalli and Araku Valley in Andhra Pradesh, at Jeypore in Orissa and at Diphu in Assam, 6 coffee Demonstration Farms at Minimulluru in Andhra Pradesh at Koraput in Orissa; at Haflong in Assam; at Kohima in Nagaland; at None in Manipur and at Deomali in Arunachal Pradesh and a Regional Research Station at Chintapalli in Andhra Pradesh are functioning. Another Regional Research Station is proposed to be set up at Diphu in Assam for tackling the research problems pertaining to coffee in the North Eastern Region. 3 more Extension Centres are likely to be opened in North Cachar, Hills District in Assam; at Imphal in Manipur and at Mokokchung in Nagaland. Two more Coffee Demonstration Farms will also be established in Mizoram and Tripura for the purpose of demonstrating modern methods of coffee cultivation in those States. The Board has also been operating Development Loan Schemes and Subsidy Schemes to meet the credit requirements of the Non-Traditional areas.

To coordinate all the infrastructural programmes of the Board, a Regional Office has also been set up in 1982 at Gauhati, Assam.

In addition to action taken by the Board, the Coffee Board has been advised to not only strengthen but also to upgrade its schemes in the North Eastern Region so that with greater delegation of powers and more vigorous programme, coffee expansion may be implemented in the non-traditional areas in the 7th Plan. It has also been advised to formulate special schemes for this area, providing financial assistance and enhanced scales of borrowing including such assistance to State Plantation Corporation.

[Ministry of Commerce, O.M. No. 10|2|83-Plant(B) dated 21-8-1984]

Recommendation

So far as the question of working out the cost of production of coffee is concerned, the Committee understand that a team of Cost Accounts Officers of the Ministry of Finance periodically reviews the same. An exercise of this nature was last made during December 1975. Since January 1982, another team of five Cost Accounts Officers is stated to be examining the question.

[S. No. 33 (Para 3.61) of Appendix II of 127th Report of PAC (7th Lok Sabha)]

Action taken

Based on the Cost Accounts Branch report and taking into account the Board's recommendations thereon and other relevant factors the MRP has further been revised to Rs. 6.54 per point with effect from 17th December, 1983.

[Ministry of Commerce, O.M. No. 10|2|83-Plant(B) dated 21-8-1984]

Recommendation

The Costing study ought to be based on adequate knowledge not only of the scale of economy or locational features of coffee plantations but also of the different seasonal and cultural factors. The Coffee Board, equipped as it is with the necessary data and expertise in the matter, should therefore be closely associated with the costing studies carried out by the team of the Cost Accountants of the Government of India. If necessary, services of some eminent economists may be utilised for the purpose. In this connection it may be mentioned that coffee which is produced mainly by small growers is losing in value compared to other commodities such as tea, rubber, black pepper etc. Moreover, there is monopoly procurement and monopoly disposal of this commodity. No scientific system of costing of coffee has so far been evolved by the Coffee Board. The Committee would, therefore, like the Coffee Board to go into this qustion and evolve a suitable costing system with a view to working out a fair price for the consumer as well as the grower.

[S. No. 34 (Para 3.62) of Appendix II of 127th Report of PAC (7th Lok Sabha)]

Action taken

The Cost Accounts Branch of the Ministry of Finance has been associated from 1945 onwards with the investigation into the cost

of production of coffee with a view to working out a fair price to the consumer as well as a reasonable return to the grower. The Cost Accounts Officers of the Ministry of Finance have investigated into the cost of production of coffee six times in the years indicated below:

1st investigation	1945
2nd investigation	1947
3rd investigation	1953
4th investigation	1970
5th investigation	1975
6th investigation	1982

The annual cost study is also made by the Statistical Division of the Board in accordance with the procedure laid down by the Government Cost Accounts Officers who have investigated into the cost of production of coffee from time to time based on the statutory returns received from the selected estates for this purpose.

In the Cost Report No. 6416 dated 21-8-1982 a recommendation has ben made that the Coffee Board may consider the desirability of establishing a separate Cost Accounts Cell in the Board's Office in Bangalore for guiding and assisting the coffee planters especially these having less than 10|20 hectares of land in the maintenance of adequate accounts in a simple manner so as to enable the Board to monitor the cost of production by the small growers in a more scientific manner.

Coffee Board is being requested to expedite proposals for creating a Cost Study Cell.

[Ministry of Commerce, O.M. No. 10|2|83-Plant(B) dated 21-8-1984]

Recommendation

As at the end of the year 1977-78 there were as many as 38,462 unregistered estates with planted area of 34,977 hectares. The Committee were given to understand that a census of coffee estates, both in traditional and non-traditional areas, had been taken up (September 1981) and the exact number of unregistered estates would be known after the census was completed. However, 14,160 applications for registration of coffee estate were stated to be pending with the various registering authorities. Earlier, a special drive launched between 1976 and 1978 had revealed that the number of

estates pending registration was 35,253. During this period of two years, a total of 46,000 estates were registered which included most of the 35,253 estates and also newly planted estates.

[S. No. 35 (Para 3.67) of Appendix II of 127th Report of PAC (7th Lok Sabha)]

Recommendation

The Committee attach considerable importance to the question of prompt registration of coffee estates. From the standpoint of the Coffee Board itself registration of Coffee estates would result in bringing more coffee to the pool. The Committee, therefore, consider that sustained publicity needs to be given to the advantages flowing from registration of coffee estates, especially in regard to eligibility for financial assistance. The Committee have no doubt that the Board would intensify their efforts in this direction. The Committee are further of the view that a biennial census of the coffee estates should be undertaken. The assistance of the extension staff might usefully be availed of in this work.

Periodic socio-economic surveys should also be undertaken as already stipulated in JRDP scheme. The Committee further recommend that a time bound programme should be laid down for registering the pending applications. New applications should be registered within six months failing which the estate should be deemed to have been registered.

[S. No. 36 (Para 3.68) of Appendix II of 127th Report of PAC (7th Lok Sabha)]

Action taken

In the course of the census of 1972—75, 35,253 coffee estates were identified as unregistered. A special drive to register all the unregistered estates was launched by the Coffee Board with the cooperation of the State Governments, which are the registering authoritis. The main objective of this special drive was to make all the coffee growers eligible for schemes under financial assistance by the Board and arrest leakages of coffee from the pool by registering all the unregistered estates.

As a result of this special drive, 48,000 unregistered estates have so far been registered. These estates include the 35,243 unregistered estates identified in the census plus new estates that were identified later.

As on date 4750 identified estates remain to be registered. Action is being taken to complete the registration of these estats by persuading the registering authorities of the State Governments.

Considering the importance and urgent need for registration of estates, the Board had, as far back as 1976, requested the Governments of Kerala, Karnataka and Tamil Nadu for early registration of the estates.

The Board suggested that the State Governments should delegate the power of registration to the Deputy Commissioners/District Collectors to the Tahsildars of the coffee growing areas. The States of Karnataka and Kerala conceded the request of the Coffee Board and authorised the Local Tahsildars to register the coffee estates. As a result, a large number of estates could be registered at an accelerated pace since it was easy for the planters to approach the Tahsildars. The pay and allowances of the special Tahsildars posted for registration work were reimbursed by the Board.

At present in the States of Karnataka and Kerala, registration work continues to be done by the local Tahsildars. But the Government of Tamil Nadu is yet to delegate registration powers to the Tahsildars. The Board has requested the Government of Tamil Nadu to fall in line with the Governments of Karnataka and Kerala and delegate powers to the Tahsildars.

The Governments of Andhra Pradesh, Mizoram and Arunachal Pradesh have framed rules for registration of the coffee estates. The other North Eastern Council coffee growing states and Orissa are being persuaded to frame rules for registration of estates.

The census of Coffee Estates has been put by the Board on a continuous basis. Identification of unregistered estates and their registration, therefore, will be done consinuously in future.

[Ministry of Commerce, O.M. No. 10/2/83—Plant (B) dated 21-8-1984].

Recommendation

So far as the problem of availability of trained manpower is concerned, the Committee find that the Board have drawn up a three-level scheme for implementation during the Sixth Plan. It is proposed to establish training facilities in selected universities in traditional and non-traditional areas. Training facilities for supervisory personnel are proposed to be developed at 4 regional

research stations in Kerala, Karnataka, Andhra Pradesh and Assam. It is also proposed to train labour maistries who will train labourers in the coffee plantations. Special priority would be given to tribal youth and small farmers. The Committee understand that the Manpower Development Programme with a total outlay of Rs. 167.15 lakhs during the Sixth Plan is awaiting administrative clearance of the Government of India. The Committee trust that this would be forthcoming soon so as to enable the Coffee Board to play a leading role in providing technical support, extension and research facilities and in organizing training programmes.

[S. No. 50 (Para 4.111) of Appendix II of 127th Report of PAC (7th Lok Sabha)]

Action taken

The man-power development scheme has been cleared by Government of India on 23-8-1983.

[Ministry of Commerce, O.M. No. 10/2/83—Plant (B) dated 21-8-1984].

Recommendation

Prior to 1957 there were about 50 coffee houses in the country of which all but three were closed down as the cost of running them was not considered commensurate with their usefulness as propaganda units. However, the policy underwent a change three years later and new coffee houses were opened from 1960 onwards. At present the Board is running 18 coffee houses in the country. The Committee find that the losses in running the coffee houses are on the increase from year to year. As against a loss of Rs. 10.81 lakhs in 1976-77 the loss was of the order of Rs. 19.07 lakhs in 1978-79 and Rs. 18.95 lakhs in 1979-80. It has been stated that the coffee houses are coffee promotional units with the objective of stimulating coffee drinking habit and hence these should not be viewed as commercial organisations making profits or losses.

[S. No. 53 (Para 4.18) of Appendix II of 127th Report of PAC (7th Lok Sabha)]

Action taken

The Board is continuously making efforts to run the Coffee house on a self-sustaining basis. The fact that the Coffee House do incur operational losses has been accepted by the Government and the Government have decided that proposals for opening new Coffee

Houses would be considered only if the full operational deficit incurred by these units were to be borne by the concerned Departments for whose benefits those coffee houses are run.

[Ministry of Commerce, O.M. No. 10/2/83—Plant (B) dated 21-8-1984].

Recommendation

The Committee are concerned over the high incidence of losses incurred by these units. It is surprising that while private parlours are thriving in this business, the Board are unable even to make the coffee houses run on a no-profit-no-loss basis.

[S. No. 54 (Para 4.19) of Appendix II of 127th Report of PAC (7th Lok Sabha)]

The Committee have been informed that an expert committee has been set up to conduct cost study and to evolve norms for staffing the coffee houses with a view to achieving economy in their working. The Committee expect that speedy and effective action would be taken in the light of the findings of the expert committee.

[S. No. 55 (Para 4.20) of Appendix II of 127th Report of PAC (7th Lok Sabha)]

While the Committee have no objection to coffee being sold on a subsidised basis as a promotional measure in the coffee houses, they see no reason why the Board should not be able to make good the loss on other items. The Committee consider that mis-management and consequent losses can be obviated without taking recourse to retrenchment of workers. The Committee would therefore emphasize that the Coffee Board should ensure that the coffee houses are run at least on no-loss no-profit basis failing which these should be handed over to a specialised Public Sector agency like the ITDC.

[S. No. 56 (Para 4.21) of Appendix II of 127th Report of PAC (7th Lok Sabha)]

Action taken

The Board is not preparing a profit and loss account in respect of India Coffee Houses run by the Board. Only a receipt and payment account is prepared on cash basis. The deficit reflected in

such account only reflects the excess of payments over receipt during the year in terms of cash and does not represent actual loss. The liability of the payment towards the establishment charges and other overhead charges on the maintenance of the Coffee Houses is more than what private parlours have normally to bear. Even the selling price of liquid coffee is kept at a low level, as a promotional measure, and only a small margin of overhead cost is provided in the price structure of snacks.

The Expert Committee has formulated certain norms for staffing and also recommended that overhead charges should be enhanced during the first year to 50 per cent of the direct material cost as against 33 1/3 per cent presently adopted in the cost structure. It has also been recommended that in the subsequent revision of the price structure, the overhead charges should be calculated at 75 per cent of raw material cost. On the basis of the recommendations of the Expert Committee the price structure of liquid coffee and snacks will be revised and rationalised by the Coffee Board and it is likely to improve the functioning of the units and make them more viable.

Coffee Board had been advised to take steps to see that the loss in the sale of coffee in the units are made good by appropriate pricing of other items sold in the India Coffee Houses.

[Ministry of Commerce, O.M. No. 10/2/83—Plant (B) dated 21-8-1984].

Recommendation

Exports of coffee have increased from 35,695 tonnes valued at Rs. 22.07 crores in 1971-72 to 89,018 tonnes valued at Rs. 215 crores in 1980-81. The unit value went up from Rs. 6,183 per tonne in 1971-72 to Rs. 24,152 in 1980-81. The Committee however observe that exports in relation to the total production of coffee in India have come down from 61 per cent in 1974-75 to 57 per cent in 1976-77. India's share of the total world trade in coffee, which was a meagre 1.68 per cent in 1977 and 1.90 per cent in 1978, declined to 1.62 per cent in 1979. It would thus appear that the growth in production of coffee in India is not matched with the performance on the export front. The projections for the Sixth Plan envisaged the production to go up from nearly 1.10 lakh tonnes in 1978-79 coffee season to 1.60 lakh tonnes in 1984-85. A growth rate of 5.5 per cent per annum in the exports is also visualized. The Committee consider that the Coffee Board will have to make all out

efforts to promote export of coffee in the coming years. The Committee are of the view that the largely untapped markets in West Asia and other non-quota regions offer a good deal of scope for augmenting the exports of coffee. The Committee would therefore impress upon the Board the need to redouble their efforts in this direction.

[S. No. 61 (Para 4.47) of Appendix II of 127th Report of PAC (7th Lok Sabha)]

Action taken

In the light of the fact that Annual quota for India for export to Member countries of the International Coffee Organisation for 1982-83 coffee year has been fixed at a level of 38,551 tonnes and at 38702 tonnes for the coffee year 1983-84. Government is seized of the matter regarding the need for development of coffee markets in the non-member group of countries to dispose of the surplus after meeting the quota requirements. The potential areas for promoting the exports have been identified as (1) East Europe, (2) West Asia, (3) North Africa, and (4) South East Asia. As there were reports of other producing countries selling coffee at considerably low prices in these markets which had affected India's exports to these group of countries of late, the Board recommended to the Government deputation of 4 Sales-cum-Study Teams to these areas to evaluate the market conditions for promoting Indian coffee exports, and the proposal was approved.

Based on the findings of the Sales-cum-Study Team's to East Europe and West Asia, the Marketing Committee of the Board at its meeting held on 30th April 1983, with a view to making Indian Coffee competitive with coffees of the other origins entering into the non-member countries, decided that a rebate of 17-1/2 per cent on the export auction price be allowed to enable exporters to export coffee to these areas. At its meeting held on 21-7-1983 the Marketing Committee decided to allow a rebate of 25 per cent on the export auction prices. With this decision it is anticipated that exports to non-member countries will improve. The Board has already marketed directly around 32,000 tonnes of green coffee to non-quota destinations during the year and a balance quantity of around 10,000 tonnes have to be marketed in this area.

The Government is constantly watching the market trends and taking steps as and when necessary to improve the exports of coffee to the non-member countries, which include West Asian Countries.

[Ministry of Commerce, O.M. No. 10/2/83—Plant (B) dated 21-8-1984].

Recommendation

The Committee were informed during evidence that there were certain advantages in the present dual system of export of coffee by the Coffee Board and private exporters. The Committee suggest that the question of canalisation of exports through the Board should be taken up at the appropriate time and in the meanwhile the Board should be in a position to monitor the international prices with a view to ensuring that the export realisation in all cases does not fall below the ruling prices at any time.

[S. No. 63 (Para 4.49) of Appendix II of 127th Report of PAC (7th Lok Sabha)].

Action Taken

Regarding the monitoring of prices, the Board is getting adequate price data from different sources on a regular basis. For purposes of fixing the reserve price in each export auction, the trends in international prices prior to auction are taken into consideration. By fixing the reserve prices it is generally ensured that the export realisations in export auctions are higher than the ruling prices at any time.

[Ministry of Commerce, O.M. No. 10/2/83-Plant (B) dated 21-8-1984]

Recommendation

The Committee were assured that the direct sales were invariably related to the preceding auction prices and that the country was not losing anything on such sales. It was however admitted that though the prices obtained through direct sales "can be more than the auction price but still the unit value realization need not necessarily be higher." The data for the years 1978-79, 1979-80 and 1980-81 called for by the Committee shows that the unit value per tonne of coffee realized through direct sales Rs. 27,437 against the overall unit value of Rs. 22,965 in the first year. However, during the subsequent two years it fell short of the overall unit value, the comparative figures being Rs. 24,561 against Rs. 28,885 in 1979-80 and Rs. 18,570 against Rs. 24,150 in 1980-81. In this context the

view expressed by the United Planters Association of Southern India that the direct sales agreements entered into by the Board need to be carefully monitored and that it is essential to associate the representatives of the growers in the negotiations for direct sales, therefore merits consideration. The Committee would like to be apprised of the steps taken by the Coffee Board to ensure that malpractices are eliminated and the interests of the growers are fully safeguarded while negotiating contracts for direct sales and best value is obtained of the coffee sold through such sales *vis-a-vis* the auction prices.

[S. No. 64 (Para 4.50) of Appendix II of 127th Report of PAC (7th Lok Sabha)].

Action Taken

A statement showing the exports made directly by the Board as well as by the exporters and the total exports indicating the unit value realisation during the period 1978-79 to 1982-83 is enclosed. It will be seen from the statement that except in 1979-80 when the unit value realisation on direct exports by the Board was slightly lower than the overall unit value on exports, during other years the unit value realisation on direct exports has been higher than the overall unit value realisation.

The pricing policy for direct exports is always decided by the Marketing Committee comprising of Grower Members, Trade Members and other interests. Direct sales are made only based on the pricing formula determined by the Marketing Committee from time to time. As at present, the average export auction prices are taken as the basis for making direct sales both spot sales as well as Long Term Quantity Contract sales. The Marketing Committee also reviews the policy constantly and whenever found necessary an expert Committee is also appointed to go into various aspects for pricing for direct sales. These Committees consist of grower members also. Recently the Sales-*cum*-Study teams sent to North-Africa, the Middle East, Europe and the Far East were represented by grower members. Hence, the basis for pricing for such contracts is always determined by the policy making Committees of the Board in which growers are fully represented, and as such the interests of the growers are fully safeguarded while effecting direct sales.

Government have no objection in principle to the association by the Board of planter members in negotiations with respect to direct export sales.

[Ministry of Commerce, O.M. No. 10/2/83-Plant (B) dated 21-8-1984]

STATEMENT SHOWING EXPORT OF COFFEE FROM COFFEE BOARD AND OTHER EXPORTERS, VALUE REALISED AND UNIT VALUE FOR THE YEAR 1978,79 *TO* 1982,83.

Sl.No.	Fi c l yc rs	Qu ntity	V luc	U. V luc	Qu ntity	Va lue	U. V lue	Quantity	V luc	U. Value
			Rs.	Rs.		Rs.	Rs.		Rs.	Rs.
1	1978-79	33057	7893.04	23877	32343	7125.53	22081	65400	15018.57	22964
2	1979-80	31196	8753.54	28060	30763	9143.64	29723	61959	17897.18	28886
3	1980-81	48314	12141.55	25131	40956	9435.75	23039	89270	21577.30	24171
4	1981-82	39588	7895.34	19944	44229	8772.74	19835	83817	16668.05	19886
5	1982-83	43195	10644.99	24644	40493	9493.01	23444	83688	20138.00	24064

Qu ntity in tonnes

V luc in l khs of rupees

Unit v. luc in rupees.

CHAPTER III

RECOMMENDATIONS OR OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF THE REPLIES RECEIVED FROM GOVERNMENT

Recommendation

The Coffee Board as constituted at present consists of a Chairman and 32 members representing various interests. 10 of these members represent coffee growers (5 large growers and 5 small growers). Dissatisfied with the manner in which the present Board has been constituted, the growers' associations have made several representations to the Government. A writ petition has also been filed in the High Court of Kerala in September, 1981 challenging some of the nominations.

[S. No. 1 (Para 1.26) of Appendix II of 127th Report of PAC (7th Lok Sabha)].

Recommendation

The Committee find that serious allegations have been made in the petition with regard to the manner of nomination of the representatives of growers as members of the Coffee Board. It has *inter alia* been pointed out that the Government has not formulatd any principles as to how the consultation machinery should be employed and utilized while deciding on the nominations.

[S. No. 2 (Para 1.27) of Appendix II of 127th Report of PAC (7th Lok Sabha)].

Recommendation

The petition states that considering the area of robusta cultivation in the whole country and the number of growers, Kerala plays a vital role in the coffee industry both in terms of the area under cultivation and the total number of coffee estates. The petition has pointed out that as against two representatives of the robusta growers from Kerala previously on the Coffee Board, the present Board has only one. Apprehensions have also been expressed with regard to nomination of three persons associated with one planter company to represent different interests.

[Sl. No. 3 (Para 1.28) of Appendix II of 127th Report of PAC (7th Lok Sabha)].

Recommendation

It has been further pointed out that the appointment of Adviser (Coffee), North Eastern Council to represent "other interests" is improper for the reason that the interests which he represents have not been specified. Moreover, he is stated to be an employee of the Coffee Board now on deputation and as such is not entitled to be a member of the Board. Being an employee, he is subordinate to the Board and will not be able to give independent advice or assert his individuality to be effective in the deliberations of the Board.

[Sl. No. 4 Para 1.29 of Appendix II of 127th Report of PAC (7th Lok Sabha)].

Recommendation

As the matter is *sub judice*, the Committee would not like to go into the merits of the issue. They would, however, like to point out that it is necessary for Government to review the matter in depth so as to ensure that the representatives of the growers, who are statutorily required to surrender their produce to the Coffee Board, get proper and balanced representation on the Board. Government must also ensure that whosoever is nominated as a representative of the growers, truly represents their interests and that the associations of the growers, particularly small growers, are fully consulted and their views given proper weightage while making the nominations. The Committee would like Government to lay down clear and specific guidelines in the regard.

[S. No. 5 Para 1.30 of Appendix II of 127th Report of PAC (7th Lok Sabha)]

Recommendation

The Committee are further of the view that since the Coffee Board has an ambitious programme to promote coffee in the non-traditional areas, it is necessary that such States are given due representation on the Board. The Committee, therefore, suggest that the Ministry of Commerce should undertake an indepth study of the present constitution of the Board in the light of changed conditions and effect necessary reorganisation of the Board so as to ensure that it represents truly all the affected interests including the labour employed in coffee plantations. In this connection, it would be useful to remember that such Boards are set up to serve the growers. The Committee therefore, desire that the representation of small growers who constitute more than 90 per cent of the total number of growers, should also be suitably augmented. The

Committee would like to be apprised of the decisions taken in the matter as early as possible.

[Sl. No. 6 (Para 1.31) of Appendix II of 127th Report of PAC (7th Lok Sabha)]

Action taken

The High Court of Kerala have since disposed of the writ petition rejecting the contention of the writ petition. The writ appeal is now pending with the High Court of Kerala against the judgement of the single judge. Under the Coffee Act|Rules, there is a provision for appointment of 10 members to represent coffee growers of whom 5 shall represent large growers and 5 shall represent small growers, provided that not less than 3 such members represent Robusta growers. As the term of the present Coffee Board is expiring on 30-6-84, the observations of the PAC will be kept in view, while reconstituting the Coffee Board. However, it may be pointed out that Rule 3(3) of the Coffee Rules requires the Central Government to make such consultations as it may deem fit before appointing representative of interest of the coffee growers, coffee trade interest, curing establishment, labour, consumer and other interests. Details of the composition to ensure fair representation are already spelt out in the Coffee Act & Rules. The mode of consultations regarding grower members may involve Coffee Board, State Govts. and representative associations which can change from time to time. Precise defination of which Associations are to be treated as representative and consulted, would itself give rise to controversies. It is felt, therefrom that the mode of consultation should be best left to the Govt. As regards the number of small growers among the 10 growers representatives, instead of having 5 small growers as at present, the rules could be changed taking into account the present percentage of production of coffee by small growers, percentage of estates, owned by small growers and the percentage area coming under small growers. The percentage for 1980-81 season are indicated below:

	% of Estates	% of Coffee Produced	% of Planted Area	Weighted Average	Remarks
1. Upto 10 hectares. . . .	76	47	49	57	There is a case for increasing small growers representatives to 7 out of 10.
2. Upto 10 hectares assuming all unregistered Estates of coffee belong to this category.	98	51	60	70	

This analysis presumes that the induced definition of small growers under the Coffee Rules 2(11) should be revised to limit these 10 hectares instead of 20 hectares. While care has been taken to see that growers from the principal coffee growing States are given representation, it would not be advisable to fix specific numbers for representation from each State. It must be remembered that the Coffee Board is a National Board. Secondly, a number of non-traditional States are taking to coffee cultivation and representative of grower members on a State-wise basis, related to coffee production or number of growers or area covered, would prevent representation from area which have future potential but small production at present. Further such statistics keep changing from time to time and fixation of number State-wise would require changes in the Rules from time to time.

In the introduction to the PAC report the need for giving due representation to non-traditional States has been emphasised, Sec. 4(2) of the Coffee Act at present provides only for representatives of the Government of the principal coffee growing States and Rule 3(2)(a) allows nomination of 4 members by the States of Andhra Pradesh, Karnataka, Kerala and Tamil Nadu.

Steps will be taken to amend the Coffee Act to increase the membership by 2 to represent non-traditional States by rotation. The non-traditional States can be identified as those in which programmes are currently under way for encouraging coffee cultivation. Until such time as the Act is not amended, representation of Governments of non-traditional States can be made against the category of other interests by rotation. Increase in membership to include representatives of Central Government as in other Commodity Boards will also be included in proposals for amending the Coffee Act.

It has been pointed out in the PAC Report that 3 members of the Board representing different interests are connected with the same company. In future, care will be taken to see that a situation of this type is avoided.

[Ministry of Commerce, O.M. No. 10/2/83-Plant (B) dated 21-8-1984]

Recommendation

The Committee find that the Pool Fund moneys are kept by the Board in Current Account, with the State Bank of India, Bangalore with whom the Board has arrangement for overdrafts. On an

average, payment is made to growers once in two months. During the period between two payments the cash if available is kept in short term deposits with the Banks approved by the Government for the purpose. The interest earned on such short term deposits gets merged in the general cash balance in the Pool Fund and is distributed to the growers through periodical declarations of payments.

[Sl. No. 13 (Para 2.17) of Appendix II of 127th Report of PAC (7th Lok Sabha)]

Recommendation

From the information supplied to them the Committee find that during the period September, 1978 to November, 1981, the amounts so deposited in bank ranged between Rs. 10.01 lakhs (21 July, 1981) to Rs. 1560.00 lakhs (11 December, 1980) while the number of days for which the money remained deposited ranged between 15 and 71 except on two occasions when the money was kept for 107 days. Most of the deposits were, however, for 15 days only and the interest earned thereon was 2-1|2 per cent. The Committee consider that it would be useful to evolve a system whereby payments are made to the growers on a fixed date, say, first week of the third month so that more interest could be earned on bank deposits for the benefit of the growers.

[Sl. No. 14 (Para 2.18) of Appendix II of 127th Report of PAC (7th Lok Sabha)]

Action taken

Taking into account the requirements of the planters for seasonal agricultural operations, the Coffee Board has decided that 50 per cent of more of the amount due to a planter will be paid on delivery and the balance amount in instalments to be paid in March, May, September and November. The cumulative payments in this manner would be about 95 per cent of the total value of payments due, the balance of 5 per cent will be paid after the accounts of the season are audited.

For making initial and instalment payments upto September-October of a year, the Board has to utilise the cash credit facility from the State Bank of India and hence there will be no funds with the Board for earning interest thereon. With the reduction of accounting period to 12 months about 91 per cent of the total value of coffee is paid in that duration.

Additionally, it may be stated that the Coffee Board does not consider it practically feasible to make payments on fixed dates since availability of funds varies and it is not possible to predict accurately the timing of realisation from sales. Payments on fixed dates

may result in payments of more interest on over-drafts in case funds are not available for making payments on fixed dates.

Coffee Board has stated that keeping of pool fund money in Saving Bank account is not permissible under the existing rules of the Reserve Bank. However, the Board has made standing arrangement with the State Bank of India for keeping surplus funds in short-term deposits.

[Ministry of Commerce, O.M. No. 10|2|83-Plant(B) dated 21-8-1984]

Recommendation

The Committee find that the average yield of small growers who constitute more than 97 per cent of the registered growers varied from 216 Kgs. to 583 Kgs. per hectare as against the productivity of large growers ranging between 774 Kgs. and 1,057 Kgs. per hectare. The Committee have been given to understand that in order to increase the productivity in the small growers' sector, the Coffee Board has initiated several loan schemes, such as, the Liberalized Crop Loan Scheme, the Interest Subsidy Scheme, etc. Besides a number of extension centres have been established for providing advisory services to the small growers. Demonstration farms have also been established at various places to demonstrate improved methods of coffee cultivation to small growers. A mobile pest surveillance squad has also been set up to monitor study of pests and diseases and also to educate the growers in methods to combat these. As a result of the measures taken by the Board, the share of the small coffee growers in the total coffee production is stated to have gone up from 42 per cent in 1974-75 to 51 per cent in 1979-80. It has been further claimed that in Kerala, where the concentration of small growers is the highest, coffee production has increased by 300 per cent during the last five years as a result of the special drive undertaken to improve productivity. The growth is indicative of the potential that can be achieved.

[S. No. 29 (Para 3.49) of Appendix II of 127th Report of PAC (7th Lok Sabha)]

In this connection, the Committee would like to draw attention to the observations of the Indian Institute of Management, Ahmedabad that the efforts of the Coffee Board to promote co-operatives amongst the small coffee growers have not yielded any significant results. The Committee would urge that the Board should redouble

its efforts in this direction so that the small coffee growers could be helped in a substantial manner via the cooperatives.

[S. No. 30 (Para 3.50) of Appendix II of 127th Report of PAC (7th Lok Sabha)]

Action taken

The Indian Institute of Management in its report had suggested that the Board promote formation of a cooperative coffee plantation among the landless and weaker persons in the new areas. Considering socio-economic conditions the Board felt that this was not advisable.

The success of the Amul Cooperative has been quoted in the report of the Indian Institute of Management. The Amul Model has helped the milk producers in the marketing of their produce and in the provision of inputs and extension service linked to marketing. In the case of Coffee these functions of marketing have been done successfully by the Coffee Board through the pooling system and the Board has also helped in the supply of inputs and extension services. Much more can certainly be done if the banking institutions are more closely involved in the development process.

However, since the Coffee Board itself is functioning as an apex organisation and functions in the manner of a statutory cooperative, there appear to be no need to replace it by a cooperative on the Amul pattern. The manner of production of the two commodities is different. In the non-traditional areas of the North-East it would be even more difficult to think of setting up of coffee cooperatives.

However, after further progress has been achieved in the spread of coffee cultivation in the non-traditional states, the Board could consider promoting formation of the coffee plantation cooperative at the appropriate time. The feasibility of such cooperatives will also be one of the terms of reference of the study being ordered regarding possibilities of development of marginal and uneconomic holdings. However, State Plantation Corporation have been set up in important non-traditional States.

[Ministry of Commerce O.M. No. 10|2|83-Plant (B) dated 21-8-1984]

Recommendation

The Committee find that at least 16 per cent of the pool agents do not have adequate godown facilities. The Committee urge that

this deficiency should be made good without further loss of time preferably by the Board.

[S. No. 43 (Para 3.88) of Appendix II of 127th Report of PAC (7th Lok Sabha)]

Action taken

The Marketing Committee at their 195th meeting held on 8-7-1982 constituted a Technical Committee to re-examine the norms laid down for the fixation of curing capacity in the wake of changed curing conditions. The Technical Committee revised the norms for the determination of the storage capacity by increasing the height of stacking of uncured coffee in the godown. For the storage of the cured coffee, the Committee has recommended adoption of ISI specifications. The Technical Committee has also recommended that the requirement of storage capacity could be fixed as 80 per cent of the curing capacity.

The total curing capacity of all Pool Agents as on 20-6-81 exclusive of 15 per cent tolerance is 93,075 tonnes and the storage capacity 87,591 tonnes. The storage includes State Warehousing Corporation godowns in Kerala. As such the storage capacity is 94.1 per cent of the total curing capacity. Thus, it will be seen that the storage capacity is adequate for the total curing capacity.

Inspite of this the Board has drawn up a scheme for setting up storage facilities for a capacity of 17,000 tonnes during the 7th Plan period at a cost of Rs. 160 lakhs.

The scheme submitted by the Coffee Board is under examination of the Government and a decision will be taken shortly.

[Ministry of Commerce O.M. No. 10.2.83-Plant (B) dated 21-8-1984]

Recommendation

The Committee are of the view that instant coffee offers greater scope for popularising coffee in the non-traditional areas provided the cost is brought down. The Committee find that at present there are only two firms belonging to big houses in the country which are engaged in the manufacture of instant coffee with a total registered capacity of 4,170 MT of spray dried instant coffee per annum. The Committee had as far back as in 1973-74, drawn the attention of the Government to the desirability of setting up an instant coffee plant in the joint sector. It is regrettable that no concrete result has come out of this proposal so far.

[S. No. 57 (Para 4.22) of Appendix II of 127th Report of PAC (7th Lok Sabha)]

Recommendation

The Committee would urge the Ministry to consider the feasibility of setting up a plant for production of instant coffee in the public or cooperative sector without delay. The Coffee Board must act as a catalytic agent for promotion of value added products such as instant coffee which would not only encourage domestic consumption but also promote export of coffee. By fetching better returns, it would act a powerful stimulant for faster development of the coffee industry in the country.

[S. No. 58 (Para 4.23) of Appendix II of 127th Report of PAC (7th Lok Sabha)]

Action taken

The total coffee consumption in non-traditional areas is of the order of 11,000 tonnes while export of instant coffee are of the order of 1500 tonnes. The demand for Indian instant coffee abroad is reported to be low on account of high cost of raw material (in foreign countries inferior coffee is used for making instant coffee) as well as the entrenched position of foreign trans-nationals. Within Indian instant coffee is largely consumed in non-traditional areas. Inspite of low total demand for Indian Instant Coffee at present, in addition to the 7700 tonnes of capacity already installed or coming up in private sector, new units have applied for installing further capacity of the order of 10,200 tonnes. In view of this good response from the private sector for setting up instant coffee manufacturing capacity, public sector involvement at this stage on a priority basis is not considered necessary, Government however, has advised Coffee Board to come up with proposals for increased exports of value-added coffees. Further increase in capacity including the capacity in public sector will be considered to achieve this objective.

[Ministry of Commerce O.M. No. 10|2|83-Plant (B) dated 21-8-1984]

Recommendation

The Public Accounts Committee had, in their 130th Report (Fifth Lok Sabha), recommended that the Coffee Board should ensure that out of the total quantity earmarked for internal consumption the Co-operative Societies and India Coffee Depots do get their share of 15 per cent and 10 per cent respectively. Government had informed the Committee in November, 1974 that the Coffee Board would review its price policy and consider the question of restoring releases at the minimum release prices to these two

channels of distribution. The Committee regret to find that inspite of this assurance, the Sub-Committee of the Marketing Committee thought it fit to recommend that the system of allotting coffee to the Cooperatives Societies at an average of pool sale prices less 2½ per cent and 5 per cent respectively in respect of traditional and non-traditional areas be continued.

[S. No. 59 (Para 4.28) Appendix II of 128th Report of PAC (7th Lok Sabha)]

Action taken

Comments of the Coffee Board are reproduced below: "It may be pointed out that the Marketing Committee dicides on allotment of coffee at special rates. The Committee at its meeting held on 26-6-1967 discussed this subject. It felt that the Depots of the Propagenda Deptt. are directly under the control of the Coffee Board, it was enough if coffee was released at the minimum release price through the channel of distribution. However, in view of the consideration usually given to cooperative societies, the Committee decided to continue the procedure of allotting coffee at average pool sales prices less 2½ per cent and 5 per cent respectively in traditional and non-traditional areas."

In view of the strong reservations of the Board in selling coffee at minimum releases price to cooperative societies and the scope for malpractices to be curtailed by the Board, and since such decisions will effect pool realisations, Government would not like to press Coffee Board to give concessions on release of coffee to cooperatives at MRP. However, Coffee Board is advised to consider increase in the rate of discount especially in non-traditional areas so that the quantity of coffee lifted by such cooperative societies increase substantially over the present level.

[Ministry of Commerce, O.M. No. 10|2|83-Plant (B) dated 21-8-1948]

Recommendation

The data furnished to the Committee shows that the quantity of coffee lifted by the Cooperative Societies has come down from 2.36 per cent of the total internal releases in 1978-79 to 1.60 per cent in 1979-80 and 1.40 per cent in 1980-81. The Committee feel concerned to find that the offtake of coffee by the Cooperative Societies is very negligible. Both from the point of view of popularising coffee and for holding the price line in respect of this beverage, it is essential to encourage its sale through Cooperatives Coffee Depots run by the

Coffee Board. The Committee would therefore reiterate their earlier recommendation that at least 15 per cent of the total quantity earmarked for internal consumption should be made available to the Cooperative Societies and 10 per cent to the India Coffee Depots at the minimum release prices, taking adequate precaution to see that there is no malpractices in sales.

[S. No. 60 (Para 4.29) of Appendix II of 127th Report (7th Lok Sabha)]

Action taken

Coffee Board's comments are reproduced below:

One of the reasons for the poor off-take by cooperative Societies is because several of the Cooperative Societies (excepting some like the Dicplioane Urgan Cooperative Society in Madras) are taking part in Pool Sales Auctions and buying coffee at the auction for sale to their customers.

However, in respect of holding the price line, nearly 10 per cent of the total coffee that is released in the internal market by the chain of India Coffee Depots is serving the purpose well.

Government have nothing to add to it. However, comments in reply to para 4.28 may also be seen.

[Ministry of Commerce, O.M. No. 10|2|83-Plant (B) dated 21-8-1943]

Recommendation

Under Section 20 of the Coffee Act, the exports of coffee can be made only by the Board or under an authorization granted by the Board. It is, by virtue of this provision that coffee is made available for exports through auctions by the Board. The Coffee Board also directly exports coffee, primarily to countries with bilateral trade agreements. The direct sales amounted to 31,676 tonnes in 1978-79, 44,950 tonnes in 1979-80 and 37.979 tonnes in 1980-81 representing 48.5 per cent 72.8 per cent and 44.9 per cent of the total exports in the respective years.

[S. No. 62 (Para 4.48) of Appendix II of 127th Report of PAC (7th Lok Sabha)]

Action taken

Under the present policy of the Board, 50 per cent of the export allocation out of each season's crop is sold directly by the Board to foreign importers, of which USSR figures as the largest buyer under

the bilateral trade. The balance of 50 per cent of the allocation is sold in the export auctions to the registered exporters of Coffee in India. This dual system of export sales both by the Board and the exporters has been working satisfactorily. In fact the prices realised in the export auctions which are always in tune with the International prices of coffee are taken as the basis for the prices for direct sales. The system of sales both by the Board and direct sales is being constantly monitored by the Marketing Committee and whenever necessary further steps would be taken to increase the share of direct sales.

[Ministry of Commerce, O.M. No. 10|2|83-Plants (B) dated 21-8-1984]

Recommendation

The United Planters' Association of Southern India has further pointed out in its Memorandum to the Committee that the export duty on coffee has been revised as many as 23 times during the last five years and an all-time peak rate of Rs. 22,000 per tonne was levied in 1977-78. It has been stated that to look upon the export duty on coffee merely as a source of short-term revenue is inconsistent with the long-term prospects of our exports. Further, coffee does not enjoy the benefits of export incentives such as credit assistance, grants-in-aid, cash subsidy, import entitlement etc. It has therefore, been suggested that part of the export duty realization from coffee may be set aside and allowed to be utilized in furtherance of the industry's developmental efforts. The Committee would like this suggestion to be examined and to be apprised of the decision taken by Government in the matter.

[S. No. 65 (Para 4.51) of Appendix II of 127th Report of PAC (7th Lok Sabha)]

Action taken

The base level for exemption from export duty has been raised from 16,000 per tonne to Rs. 17,400 tonne. Benefits of CCS/REP etc. are not generally given to primary commodites except in value added form. Value-added items like instant coffee do get these benefits. The export duty is already fixed on a rational basis in the sense that the base price represents a reasonable return on export to coffee growers, a return which is more than what is considered reasonable for domestic sales. The duty is fixed at 50 per cent of the difference between the base price and th London terminal price which means that only 50 per cent of the surplus beyond a reasonable realisation is taken as tax by the Government. In case realisation on exports is low, duty automatically comes down.

The realisations from export duty form part of the consolidated funds of India as in the case of all other duties and taxes. Funds required by the Coffee Board for development are provided on the basis of recommendations of the Coffee Board after the usual consultations with the Planning Commission and Finance Ministry on the basis of the budget approved by Parliament. Sufficient funds are provided for developmental purposes taking into account the capacity of the Board for implementation as well as relative priorities of other sectors. Funds for development are also available from banking institutions. It would not be advisable to have a separate procedure for providing funds for coffee development based on export duty realisations, as this would lead to similar demands from other sectors of industry.

[Ministry of Commerce, O.M. No. 10/2/83-Plant (B) dated 21-8-1984]

CHAPTER IV

RECOMMENDATIONS OR OBSERVATIONS REPLIES TO WHICH HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND WHICH REQUIRE REITERATION

Recommendation

From the data furnished to the Committee, it is seen that there are very wide fluctuations in the rate of return to the growers. In respect of arabica, the rate of return during the period 1973-74 to 1978-79 has varied from 6 per cent in 1978-79 to 60 per cent in 1975-76 (excluding 1976-77 which is stated to be a freak year as the international prices rose to abnormal heights and the percentage of gain was as high as 134). Similarly, in respect of robusta coffee the return has varied from as low as 5 per cent in 1974-75 to 62 per cent in 1975-76 and 97 per cent in 1976-77. It is further observed that the rate of return has dipped from 43 per cent in 1977-78 to 6 per cent in 1978-79 in the case of arabica and from 4.1 per cent to 16 per cent in the case of robusta coffee. The need for ensuring steady returns, particularly to small growers while at the same time protecting the interests of the consumers, is therefore quite obvious. The Committee understand that the Indian Institute of Management, Ahmedabad has suggested setting up of a price stabilization fund to smoothen the fluctuations. The fund can be used to supplement payments to growers during the period of poor realizations and/or to hold stocks for obtaining better prices (with international market) at a later date. The Committee would like this suggestion to be examined in all its aspects and an early decision taken.

[S. No. 32 (Para 3.60) of Appendix II of 127th Report of PAC (7th Lok Sabha)]

Action taken

The Special Committee constituted by the Board did not accept the recommendation. However, detailed comments are given in reply to para 1.35.

[Ministry of Commerce, O.M. No. 10/2/83-Plant (B) dated 21-8-1984]

Recommendation

The Curing firms also function as pool agents of the Coffee Board for a variety of services besides curing, such as receiving and storing surplus pool coffee and making payments to growers from funds provided by the Board. The remuneration payable to the agents for curing and agency functions in each season is fixed by the Board with reference to the cost study conducted by the Cost Accounts Officer deputed by Government. Audit have pointed out that that for the seasons 1974-75 to 1975-76 and 1976-77 to 1977-78 the Board made payments to the curing firms at the rate of Rs. 245 and Rs. 282 per tonne respectively against the recommended remuneration of Rs. 213 and Rs. 266 per tonne respectively. Analysing the reasons for the increased rates Audit have pointed out that for the seasons 1974-75 to 1975-76 the Board allowed a return on capital at 19 per cent plus Rs. 7.75 per tonne towards bonus as against a return of 12.50 per cent including bonus recommended by the Cost Accounts Officer. The consequential excess payment worked out to Rs. 27.03 lakhs for 1976-77 and 1977-78 seasons. Further, excess payment to the tune of Rs. 34.87 lakhs was made towards higher percentage of interest on borrowings for the seasons 1976-77 and 1977-78. In addition, the Board paid rehabilitation allowance to the tune of Rs. 6.33 lakhs at a rate of Rs. 5 per cent tonne during the above seasons against actual purchase of machinery.

[S. No. 37 (Para No. 3.82) of Appendix II of 127th Report of PAC (7th Lok Sabha)

Recommendation

The Committee have been informed that the Cost Accounts Officer's recommendations are not to be considered as an award binding on either the Coffee Board or the curers. At best, they serve only as a basis for negotiating the rates of remuneration payable to the cures for the services rendered by them. These have to be finally agreed upon through negotiation between the curers and the sub-committee of the Marketing Committee of the Board. The Committee are of the opinion that the whole position as narrated is rather unsatisfactory.

[S. No. 38 (Para No. 3.83) of Appendix II of 127th Report of PAC(7th Lok Sabha)

Action taken

During the examination the Board had pointed out that there was a shortage of installed curing capacity as against the requirement and this was one of the reasons why the curers were able

to negotiate for better charges than those recommended by the Cost Accounts Branch of the Finance Ministry. To some extent this situation has been remedied by the increase in the installed curing capacity to 1,41,000 tonnes by the end of 1984. This will include capacity in the following public sector units:

1 . Assam Plantation Crop Development Corporation (APCDC).

2. Andhra Pradesh Forest Development Corporation (APFDC).

Section 29 to the Coffee Act Casts a duty on the registered Coffee Estates owners and licensed curing establishments to send to the Board returns of coffee provided to each curer. The curing establishments have also to maintain accounts in such forms as may be required by the Board and such accounts are open to inspection by the Board or any officer authorised on his behalf.

With the increase in curing capacity including the set off of such capacity into the States Plantation Corporation the negotiating position of the Board will improve and a reference point in terms of public sector operating cost will be available. On account of necessity of negotiations, while the cost accounts of such recommendations may have to be created as reference point, the Board is being advised to ensure (on the basis of information relating to curing cost) that the curing charges negotiated do not result in an unreasonable higher return for curers as compared to the average return obtained by the growers of coffee. The proposal of the Board to divide curing establishments into three categories i.e. (a) those with very modern facilities (b) those with facilities meeting minimum requirements set by the Board and (c) those with poor facilities, and fixing different curing charges for the three types is also welcome and is likely to have a salutary effect in terms of improving curing facilities.

[Ministry of Commerce O.M. No. 10|2|83 Plant(B) dated 12-12-84]

Recommendation

The Committee find that as on 31st January, 1982 the total licensed curing capacity was of the order of 1.14 lakh metric tonnes including 2,000 tonnes additional capacity licensed in December, 1981 in favour of two new curing works and additional capacity of 1,000 tonnes in an existing curing works. Compared to the total production of the order of 1.16 lakh tonnes estimated in 1981-82 the available capacity was short of requirements by about 0.46 lakhs

tonnes. It was conceded in evidence that on account of the gap between the supply and demand, the curing works were in a position to dictate terms to the Board. The Board is since stated to have taken action to encourage investment in curing works and 14 letters of intent have been issued for a total capacity of 75,000 tonnes. The Board are also stated to have submitted a project for setting up modern curing works in public/joint sector to the Government of India. The proposed curing capacity in the public/joint sector is expected to be 10,000 tonnes in traditional areas and 5,000 tonnes in non-traditional areas.

[S. No. 39 (Para 3.84) of Appendix II of 127th Report of PAC (7th Lok Sabha)]

Action taken

At present there are 33 curing works 5 in Coastal Karnataka and 14 in interior Karnakata, 5 in coastal Kerala and 9 in interior Tamil Nadu. The total curing capacity inclusive of 15 per cent tolerance is 1,19,000 tonnes.

18 letters of intent for setting up new curing works were issued by the Board for a total curing capacity of 88,350 tonnes. Out of these, 3 curing works have been put up and commissioned. Six letters of intent have been cancelled and the curing capacity of these being 35,000 tonnes. 9 letters of intent are still in force, the proposed curing capacity of these being 44,150 tonnes.

[Ministry of Commerce O.M. No. 10-2-83-Plant (B) dated 21-8-1984)]

Recommendation

In their 130th Report (Fifth Lok Sabha), the Public Accounts Committee had recommended that pool agency and curing functions should be taken overforthwith. The Ministry had informed the Committee (November 1974):

> It may not be advisable to separate curing and pool agency functions. Taking over of the curing establishments will amount to nationalization of the coffee curing industry. Even if Government decides to nationalize, it will have to be done in a phased manner. The Coffee Board have no reserves of its own and the entire compensation will have to be met from out of the Consolidated Fund of India. Apart from the present economic situation of the

country, whether the nationalisation is necessary has to be gone into....

[S. No. 40 (Para 3.85) of Appendix II of 127th Report of PAC (7th Lok Sabha)]

Reiterating the recommendation, the Committee, had, in Para 1.30 of the 139th Report (Fifth Lok Sabha) observed that the matter should be examined expeditiously in all its aspects and a detailed report furnished to them. Apparently, there has been no further consideration of the question by Government.

[S. No. 41 (Para 3.86) of Appendix II of 127th Report of PAC (7th Lok Sabha)]

The Committee consider that the Coffee Board and the Plantation Crops Development Corporations in the States directly involved in coffee production, collection, etc. should play more positive role in the matter of curing of coffee instead of allowing it to be handled by private agencies which are in a position to dictate terms to the coffee Board. As most of the coffee curing works are very old and are saddled with out-dated plant and machinery, their cost of operation is bound to be very high. The Committee therefore urge that the proposal to set up curing works in the Public sector should be pursued vigorously with the ultimate object of taking over the entire curing function in a phased manner. The feasibility of setting up cooperatives of growers for undertaking curing works may also be examined. In non-traditional areas the function may be entrusted to the Plantation Crops Development Corporations or other State Agencies.

[S. No. 42 (Para 3.87) of Appendix II of 127th Report of PAC (7th Lok Sabha)]

Action taken

The Coffee curing industry has developed along with the coffee plantations. The curers have traditional links with the coffee estates and are reported to play a useful role in providing credits and inputs. They are generally reported to be working satisfactorily, although in some cases they have failed to modernist their facilities. There is no felt need for nationalisation of curing establishments and Governments do not, therefore, feel that there are any strong reasons for going in for nationalisation.

However, it is expected that more curing works in the public sector especially in the non-traditional area will come up. These will be encouraged and the existing private sector curing works should be encouraged to modernise. The fixation of a differential rate of payment for curing works having different types of facilities being considered by the Coffee Board is a step in the right direction. Assam and Andhra Pradesh have already gone in for public sector curing facilities and Coffee Board is being advised to encourage and render necessary technical assistance to other non-traditional states in this respect. They are also being requested to examine the feasibility of setting up grower's curing cooperatives with some financial assistance, if necessary. The existence of both public and private sector units will be in the best interest of the coffee industry since curing establishments in each sector will have to match the standards set in other sectors.

[Ministry of Commerce, O.M. No. 10-2-83-Plant (B) dated 21-8-1984]

Recommendation

The perspective plan for production of coffee drawn up by the Coffee Board in collaboration with the National Council of Applied Economic Research during 1976 envisages the demand for coffee to be in the region of 2 lakh tonnes by the end of this century. The demand is proposed to be met by expansion of the coffee producing areas to an extent of 1.3 lakh hectares by 1993-94, of which 72,000 hectares would be brought under coffee cultivation in the non-traditional States and the rest in the traditional coffee growing areas. The Committee have been informed that so far as the Sixth Plan is concerned, it is programmed to achieve an expansion of 38,400 hectares, of which 22,900 hectares would be brought under coffee cultivation in the non-traditional areas.

[S. No. 45 (Para 3.106) of Appendix II of 127th Report of PAC (7th Lok Sabha)]

The Audit para has pointed out that as against the annual target of 2,800 hectares fixed for non-traditional areas and 1,600 hectares for traditional area for the year 1978-79 the actual achievement was 102.5 hectares and 4,691 hectares respectively. The development has therefore been much below the expectations in the non-traditional area.

[S. No. 45 (Para 3.106) of Appendix II of 127th Report of APC (7th Lok Sabha)]

In their study of the Indian coffee industry, the Indian Institute of Management, Ahmedabad have also pointed out (Para 3.93) that the experience of the Coffee Board in promoting higher production through bringing new areas under cultivation in traditional States has been relatively slow and yields have not been to the expectations. The study has further pointed out that while the schemes in this regard are intrinsically sound in their conception, the implementation calls for a high degree of expertise, conviction, proper orientation and long term interest. According to the study, the cooperative route appears to be the most promising one in terms of Coffee Board's objectives of increasing coffee production in new areas in the traditional States. The Committee had in their 130th Report (Fifth Lok Sabha) recommended that the Board should, with the active cooperation of the State Governments encourage setting up of cooperatives of small growers so that they may have the benefit of machinery and equipment which individual small growers cannot afford to purchase. The Committee would urge that the Coffee Board should play a more active role in promoting and establishing cooperative coffee plantations in the traditional States by providing the necessary share capital, organizational resources and technical skill/manpower. The Committee would like the Coffee Board to come out with specific proposals in this regard without loss of time.

[S. No. 46 (Para 3.107) of Appendix II of 127th Report of PAC (7th Lok Sabha)]

Action taken

The perspestive plan for coffee development (2000AD) formulated in 1976 envisages a production target of 2,00,000 tonnes per annum by the end of the century. The target of production is proposed to be achieved by improving the productivity of the existing low yielding coffee areas and also by expansion of coffee to an additional extent of 1.3 lakh hectares by 1993/94 of which 72,000 ha. would be brought under coffee cultivation in the non-traditional States and 50,000 ha. in the traditional States. The corresponding target of production for the VI Plan period is 1.6 lakh tonnes to be achieved by 1984-85 and that of expansion of coffee is 38,400 ha. of which 22,900 ha. has to be in the non-traditional areas and 15,500 ha. in the traditional areas.

The target of production as well as expansion of coffee though envisaged for each year, are only tentative targets and need not possibly be achieved in the exact time frame because the states of coffee

development in the non--traditional States vary from State to State. Earlier the Planning Commission while approving the Perspective Plan in 1977, directed all the State Governments where coffee expansion has been proposed to set up corporations exclusively for implementing coffee development programmes in their States under Public/ Joint sector management. So far, the State Governments of Andhra Pradesh, Assam, Nagaland, Manipur and Arunachal Pradesh have set up corporations for this purpose and the expansion of coffee in these States is relatively rapid compared to other non-traditional States where only one of the State Departments of Agriculture/Soil Conservation/Forest etc. have been entrusted with the job of coffee expansion. The Board on the other hand has been providing complete infrastructural support to all the non-traditional coffee States for providing Research, Extension, Credit and Marketing Facilities. In view of the above, review of the Coffee expansion on year to year basis would not be appropriate. Moreover, all the non-traditional coffee States have not yet fully geared up their machinery to take up coffee development programmes. Nevertheless, it may be noted that considerable progress has been achieved in terms of overall expansion and production. As against the perspective target of 1,30,000 ha. by 1993-94 and the VI Plan target of 38,400 ha., an expansion of 43,467 ha. has been achieved so far comprising 33,424 ha. in the traditional States and the rest in non-traditional areas. As against the production target of 2,00,000 tonnes per annum to be achieved by the end of the century, a production level of 1,52,100 tonnes has been reached during 1981-82. Action taken note in reply to para 3.108 may also be seen in this regard.

However, about promotion of cooperatives amongst small coffee growers comments may be seen as given in reply to Para 3.50

[Ministry of Commerce O.M. No. 10|2|83|Plant-B dated 21-8-1984]

Recommendation

So far as extension of coffee plantations in non-traditional States is concerned the Committee find that the Coffee Board have been pursuing with the State Governments the question of setting up of joint sector corporations. The States of Andhra Pradesh, Assam, Nagaland, Manipur, Arunachal Pradesh, Orissa, Kerala and Karnataka have so far set up forest/plantations development corporations charged with the responsibility of promotion of coffee in the respective States The other non-traditional States, viz. Mizoram, Tripura, Sikkim, Madhya Pradesh, Maharashtra and Andaman & Nicobar

Islands have taken up developmental activities through their own departments of agriculture/forests. The delay in setting up the corporations is stated to be due to the inability of the State Governments to raise1/3rd of the resources by way of equity so as to avail the facility of bank loans. The Committee find that so far only 7,000 hectares out of a total of 22,900 hectares proposed to be brought under coffee cultivation in the non-traditional areas during the Sixth Plan, have been brought under coffee plantations. The Committee also find that under the subsidy scheme introduced by the Coffee Board for development of coffee mainly in non-traditional areas, a sum of Rs. 3.12 lakhs only was spent as against the budgetary provision of Rs. 28 lakhs in 1979-80. Obviously, the preparatory work required to be done in this regard left much to be desired. Since the entire coffee development programme in the non-traditional areas is a 100 per cent tribal development scheme intended to assist the weaker and backward sections of the society, the Committee urge that schemes in this regard should be drawn up without delay and implemented on a phased basis.

[S. No. 47 (Para 3.108) of Appendix II of 127th Report of PAC (7th Lok Sabha)]

Action Taken

The NCAER perspective plan on coffee development envisaged an additional area of 130,000 hac. coming under coffee by 2000 AD as compared to the base figure of 172,000 hac. in 1976-77 out of the total, 58,000 hac. was expected from traditional coffee growing states and 72,000 hac. from non-traditional States. The Indian Institute of Management study which went into the question has done a further analysis and has come to the conclusion that out of the proposed additional production of 100,000 tonnes, 44,300 tonnes must come from non-traditional areas while balance will come from productivity increase and new plantations in traditional areas.

According to the IIM study 30 per cent of the target for new plan-production upto 82-83 i.e. 20,000 tonnes will come from productivity increase. This has already taken place.

According to the IIM study 30 per cent of the target for new plantations in traditional areas must be met by 1990. This means that about 11,000 hac. should have been covered by 1990. The actual progress has been much faster because as mentioned in the IIM report, an area of 51,000 hac. out of the total required to be covered in the traditional States is already available within the coffee estates them-

selves so that there are no problems of acquisition of land for extension planting. The coverage of these areas, being easier, would naturally be much faster.

For the non-traditional areas the IIM study has suggested a coverage of 10 per cent i.e. 7200 hac. by 85-86. Coverage of this order has already been achieved although it is much less than the Sixth Plan target. Further coverage of about 30,000 hac. is proposed in the IIM report by 1990-91. The stategy for bringing about this increase will form part of Seventh Five Year Plan for the Coffee Board. With the setting up of the infrastructure of plantation corporations in non-traditional States, other developmental works being taken by the Coffee Board and the sanctioning of the man-power development programme this appears to be a feasible proposition.

The Coffee Board has been assisting the State Governments in all respects including preparation of detailed project reports for submission to Agricultural Refinance Development Corporation (New National Bank for Agriculture and Rural Development). Schemes have been drawn up for the States of Andhra Pradesh, Assam, Nagaland, Arunachal Pradesh and Manipur for expansion of coffee on a large scale, for a submission to Agricultural Re-Finance Development Corporation (National Bank for Agriculture and Rural Development) for securing the necessary financial assistance.

The Board is being separately advised to strengthen its presence in the North-East Region so that greater delegation of powers and liasion with State Governments at sufficiently higher level is facilitated.

[Ministry of Commerce O.M. No. 10|2|83-Plant(B) dated 21-8-1984]

Recommendation

The Committee desire that the concerned agencies should be actively assisted by the Coffee Board in preparing detailed project reports and in getting necessary financial assistance therefor from the Agricultural Re-finance Development Corporation.

[S. No. 48 (Para 3.109) of Appendix II of 127th Report of PAC (7th Lok Sabha)]

Action taken

So far the Coffee Board has assisted in preparation of detailed coffee expansion reports for the agencies in the States of Andhra Pradesh, Assam, Nagaland, Arunachal Pradesh and Manipur. The

Board will assist the Governments of other States which might seek its assistance.

However, Coffee Board is being advised to press Governments of other non-traditional States to prepare Coffee expansion projects with the assistance of the Board.

[Ministry of Commerce O.M. No. 10-2-83-Plant (B) dated 21-8-1984]

Recommendation

As land in the tribal areas cannot be alienated, it is imperative that the idea of setting up joint sector corporations to take up plantation of coffee wiith the assistance of governmental agencies is pursued actively. Elsewhere in this Report, the Committee have suggested that representatives of the non-traditional States should be given representation on the Coffee Board. The Committee further suggest that the States be persuaded to have a nominee of the Coffee Board on the Boards of Directors of the State Coffee Corporations and to utilize the technical, managerial and consultancy services of the Coffee Board in making the corporations a success.

[S. No. 49 (Para 3.110) of Appendix II of 127th Report of PAC (7th Lok Sabha)]

Action taken

Government have decided in principle to amend the Coffee Act to include two representatives of States Governments of Non-traditional Coffee growing States by rotation.

So far as nomination of Officers is concerned the Board has already a nominee on the Board of Directors of the Assam Plantation Crops Development Corporation (APCDC) of Assam and Manipur Plantation Crops Corporation (MPCC) of Manipur. The other state corporations will be requested to nominate the Board's representatives on their Boards of Directors.

[Ministry of Commerce O.M. No. 10-2-83-Plant (B) dated 21-8-1984]

Recommendation

The expenditure on Propaganda Department was of the order of Rs 5.28 crores in 1978-79, Rs. 4.71 crores in 1979-80 and Rs. 5.19 crores in 1980-81 as against receipts to the tune of Rs. 5.67 crores, Rs. 5.42 crores and Rs. 5.87 crores in the respective years.

The main objective and purpose of the Department is stated to be to promote domestic coffee consumption. In justification of the high volume of expenditure on the Department, the Ministry have furnished figures of coffee consumption in India, which indicate that over the last two decades the annual consumption of coffee has gone up from nearly 30,000 tonnes in 1960 to 50,000 tonnes in 1981, (Estimated) i.e. at an average rate of about 3 per cent per annum. The Committee would like to point out that this increase cannot be attributed entirely to the efforts of the Propaganda Department. As coffee is a traditionally accepted beverage in the southern States, the Coffee Board could hardly take credit for the increased consumption in the region. Part of this increase is in any case attributable to the population increase. The Committee consider that the real test of success of the Board's efforts lies in the increase in coffee consumption in non-traditional areas. The Committee find that although the consumption of coffee in non-traditional areas has increased from 8,737 tonnes in 1974 to 10,791 tonnes in 1979, such areas still account for only about 1|5th of the total coffee consumption in the country. The Committee therefore consider that the Coffee Board must concentrate its energies on popularising coffee in the non-traditional areas.

[S. No. 51 (Para 4.9) of Appendix II of 127th Report of PAC (7th Lok Sabha)]

Action taken

Detailed plans to start Coffee Promotional Centres in 12 urban and industrial centres of the country, from where pure coffee powder would be made available for sale to the consuming public in non-traditional areas through a wide distribution net work and from where right techniques of coffee roasting, grinding and brewing would be taught and serving of good quality liquid coffee from coffee bars attached to such centres would be ensured, are under examination of the Government.

Under the existing set up, agencies for sale of coffee powder are also being granted through the Propaganda Units in the non-traditional areas to promote increased internal consumption of coffee.

[Ministry of Commerce O.M. No. 10|2|83—Plant (B) dated 21-8-1984].

Recommendation

The Sixth Plan projects an increase of 15,000 tonnes in domestic consumption i.e. an annual increase of 3,100 tonnes as against the present level of increase of 2,000 tonnes per year. To start with, it is proposed to set up coffee promotional centres in 12 urban and

industrial centres of the country for conversion of raw coffee into pure quality ground coffee and its distribution dissemination of right techniques of coffee roasting, grinding and brewing serving of good quality liquid coffee from a coffee bar attached to each centre and administration of publicity programmes around the centres in various localities. These centres would thus integrate all functions of coffee promotion keeping in view the situation obtaining in non-traditional areas. The committee are of the view that the task of coffee promotion in non-traditional areas calls for change in the outlook as well as perspective of the Coffee Board. A stage has now been reached when it is necessary that the Board ceases to be an organization looking after only the traditional areas in the South. It must expand its horizon to other non-traditional areas in the country particularly in the North and North-East by actively involving the State Governments of these regions. The Committee suggest that for market development in non-traditional areas the Coffee Board should supplement its own channels of distribution and develop normal trade channels also, so that it is in a position to reach the consumer in the remotest areas. of the country.

[S. No. 52 (Para 4.10) of Appendix II of 127th Report of PAC (7th Lok Sabha)]

Action taken

With a view to popularising the Coffee drinking habit the States of Assam and Nagaland, Coffee Board discussed with the representatives of the State Government. Plans for setting up of Coffee House in the Secretariat Complex in Dispur Gauhati, were drawn up, and sent to the Government of Assam, who had agreed to put up necessary building for setting up a Coffee House, by the Coffee Board. The matter is being followed up with the State Government. Meanwhile, an India Coffee Depot has started functioning in Gauhati from 20-7-1982 from where coffee seeds and powder are made available to the public.

Discussions were also held with the Agricultural Minister of Government of Nagaland, who agreed to make suitable accommodation available to the Coffee Board for setting up a Coffee House in Kohima. The Governmet of India have also cleared the scheme and sanctioned the staff required for this purpose. The Government of Nagaland have been requested to make the building available at an early date to enable the Board to set up this coffee House in Kohima.

Pool Collecting Depots are already functioning in Gauhati and Halflong to receive coffee from the nearby plantation in the area.

Provisions have also been made in the Budget Estimates for 1983-84 for setting up 3 India Coffee Depots in the non-traditional areas during the year, subject to availability of buildings.

In addition to the action already taken by the Coffee Board, Government has advised the Board to prepare a scheme for promotion of coffee sales through normal trade channels in non-traditional areas and to upgrade its scheme for that region.

[Ministry of Commerce O.M. No. 10|2|83-Plant(B) dated 21-8-1984]

CHAPTER V

RECOMMENDATIONS OR OBSERVATIONS IN RESPECT OF WHICH GOVERNMENT HAVE FURNISHED INTERIM REPLIES

—NIL—

NEW DELHI;
July 29, 1985,
Sravana 7, 1907 (*S*)

E. AYYAPU REDDY,
Chairman,
Public Accounts Committee.

Part II

MINUTES OF THE 4TH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE HELD ON 25 JUNE, 1985 (FN)

The Committee sat from 1000 hrs. to 1340 hrs.

PRESENT

Shri E. Ayyapu Reddy—*Chairman*

Members

Lok Sabha

2. Shri Amal Datta
3. Shri Ranjit Singh Gaekwad
4. Shrimati Prabhawati Gupta
5. Shri Vilas Muttemwar
6. Shri G. Devaraya Naik
7. Shri Rajmangal Pande
8. Shrimati Jayanti Patnaik
9. Shri Simon Tigga
10. Shri Girdhari Lal Vyas

Rajya Sabha

11. Shrimati Amarjit Kaur
12. Shri Nirmal Chatterjee
13. Shri K. L. N. Prasad
14. Shri Ramanand Yadav

SECRETARIAT

1. Shri K H. Chhaya—*Chief Financial Committee* Officer
2. Shri R. C. Anand—*Senior Financial Committee Officer*

REPRESENTATIVE OF THE OFFICE OF *C&AC*

1. Shri T. M. George—*Additional Deputy Comptroller and Auditor General of India.*
2. Shri M. Parthasarthy—*Director of Audit Defence Services*

3. Shri Harbans Lal—*Director of Audit (CW &M)*

4. Shri C. V. Srinivasan—*Director of Audit (Air Force and Navy)* .

5. Shri S. Satyamoorthy—*Jt. Director (Reports) Office of the* C&AG of India. ....

6. Shri Gopal Singh—Jt. Director of Audit (P&T)

7. Shri B. S. Gill—*Jt. Director of Audit Defence Services.*

8. Shri V. S. Jakhmola—*Jt. Director of Audit (CW&M)*

I. Consideration and adoption of draft Action Taken Report

The Committee considered the following draft Action Taken Report and adopted the same with certain modifications|amendments as shown in Annexure.

* * * * * *

(ii) Action Taken on the recommendations contained in 127th Report (7th Lok Sabha) relating to Coffee Board (Ministry of Commerce).

* * * * * *

The Committee also authorised the Chairman to finalise the Report in the light of modifications|amendments suggested by Audit as a result of factual verification and present the same to the House.

* * * * * *

The Committee then adjourned.

ANNEXURE II

List of modifications/amendments made in the draft Action Taken Report on 127th Report (7th Lok Sabha) relating to Coffee Board.

Page	Para	Line	Modification/Amendment
4	1·7	5	*For* 'been commensurete with the efforts made.' *Read* 'satisfactory'
9	1·11	5	*For* 'growers and' *Read* 'growers of'
9	1·12	1—4	*For* 'The Committee note with satisfaction the advise given by the Ministry of Commerce to the Cooffee Board on the steps to be taken by the Board to achieve the above objectives.' *Read* 'The Committee note with satisfaction that the Ministry of Commerce has been given appropriate advice to the Coffee Board on the steps to be taken by the Board to achieve the above objectives.
13	1·16	14—15	*For* 'It is exactly due to this reason that' *Read* 'It is to avoid adverse effects of market fluctuations that'
13	1·16	17—19	*Put* full stop (·) *after* 'hectares' and *delete* the rest of the words in the sentence 'in 1974-75 and 1978-79 when it was 6% in respect of Arabica and only 5% in case of Robusta respectively.
19	1·19	14	*For* '12½%' *Read* '12½%'
19	1·19	15	*Add* the following new sentence between 'Government of India. '& The' 'The is in contrast to a minimum return of 5 per cent in the case of rolusta and 6 per cent in respect of arabica to the growers.'
21	1·21	1	*For* 'feel' *Read* 'find'
21	1·21	2—3	*For* 'exploitation of the situation by the curers.' *Read* 'Exploitation by the curers.'
21	1·21	15	*For* '32 lakhs' *Read* '0·32 lakhs'
21	1·21	16	*For* '1·60 lakhs' *Read* '1·52 lakhs'
22	1·22	6—9	*For* 'They hope that the examination of the fesaibility of setting up of growers curing cooperatives might have been completed by now. *Read* 'They desire that growers curing cooperatives should be formed as expenditiously as possible.'

Page	Para	Line	Modification/Amendments
30	1·26	20	*Add* the following sentence at the end of the para: "The Committee are unable to appreciate the views expressed by the Ministry of Commerce in this regard (vide sub para of Action Taken Note at para 1·24 of the Report) that 'The targets of production as well as expansion of coffee though envisaged for each year are only tentative targets and need not possibly be achieved in the exact time frame because the state of coffee development in the non-traditional States vary from State to State'.
31	1·27	1	*For* '1,18,646 tonnes' *Read* '1,15,146 tonnes'
31 & 32	1·27	17—24	*For* 'But the fact remains that the same was true about many other crops in the country hardly two decades back. However, with the adoption of progressive production techniques and various other measures such as improved and disease free varieties of seeds, pest control, better irrigation facilities etc. during the last 10/15 years, spectacular success has been achieved in that field and the country is now getting bumper crops of wheat and rice, to name a few of them. The Committee would, therefore, like the Ministry of Commerce and the Coffee Board to ponder over the problem of seasonal vagaries in coffee production in all its seriousness and initiate short term as well as long term measures in consultation and cooperation with the Ministry of Agriculture and Rural Development to mitigate the effect of drought conditions etc. to the extent possible.' *Read* 'The Ministry of Commerce should take adequate steps to stabilise and improve the production by employing modern techniques.'
37	·32	1—7	*Delete* the following sentence. 'Expressing their unhappiness over the casual manner in which their recommendations have been treated, the Committee desire that the Ministry of Commerce/Coffee Board should re-double their efforts to attract people from the non-traditional areas to cultivate the habit of coffee drinking.'

APPENDIX

Statement of Recommendations and Observations

Sl. No.	Para	Ministry/Deptt. concerned.	Recommendation/Observation
1	2	3	4
1.	1.6	Ministry of Commerce	In their earlier Report, the Committee had expressed concern over tht d:layed final payments to the growers from the surplus accumulated in the pool fund account and non-transfer of excess in that fund to the credit of the general fund over the years.
2	2.7	—do—	While appreciating the efforts being made by the Coffee Board for improvement in the accounting system to reduce further the payment period to the growers, the Committee note that the result has not been satisfactory. For instance, the pool fund balances relating to 1975-76 and 1976-77 coffee seasons are still in the process of being adjusted. The excess in the pool fund after meeting the requirements of Section 32 of the Coffee Act 1942 has yet to be appropriated to the general fund.
3.	1.8	—do—	The Committee would like the Ministry of Commerce to take appropriate measures to ensure timely transfer of excess amounts in

1	2	3	4
			the pool fund to the credit of the general fund. The Committee would also like the Ministry to lay down some guidelines for the coffee Board to achieve this objective according to prescribed time frame.
4.	1.11	Ministry of Commerce	The Committee in their earlier Report had desired the Ministry of Commerce to take steps for increase in the coverage of loan assistance under various developmental schemes particularly in respect of small growers of coffee estates; to examine the feasibility of getting bank credit for the marginal grower under differential rates of interest schemes; to further simplify and streamline the procedure for sanctioning loans and to give wide publicity aomngst the coffee growers for taking advantage of developmental schemes.
5	1.12	—do—	The Committee note with satisfaction that the Ministry of Commerce has given appropriate advice to the Coffee Board on the steps to be taken by the Board to achieve the above objectives.
6	1.13	—do—	The Committee would like the Ministry of Commerce to monitor yearly the progress in the number of the beneficiaries on account of various steps taken by them with the object of covering substantial number of growers. in due course of time.
7	1.16	—do—	While the Committee note that the Special Committee constituted by the Coffee Board did not accept their earlier recommendation for

			setting up of a price stabilisation fund to ensure stable return to growers, particularly small growers, over a longer period of time rather than be exposed to wide fluctuations from as high as 43 per cent in 1977-78 to as low as 6 per cent in 1978-79 in the case of Aribica and from 44 per cent to 16 per cent in the case of Robusta coffee during these years, they cannot help observing that according to Ministry's own admission fluctuations in price are inherent in the production process of primary agricultural commodities and perfectly stable prices would be very difficult to ensure.' It is to avoid adverse effects of market fluctuations that the Committee wanted safeguards for the growers of coffee particularly the small cultivators having less than 4|5 hectares. Now that the Coffee Board has decided to commission a Study regarding possibilities of development of marginal and uneconomic holders and allied matters with the assistance of National Council for Applied Economic Research, the Committee desire that the question of setting up of a price stabilisation fund should also be made one of the terms of reference of this Study and considered afresh in the light of rate of return and cost of production of coffee by the smallest of the growers from 1979-80 season onwards.
8	1.19	-Do.	Compared with the total production of coffee of the order of 1.60 lakh tonnes estimated in 1981-82 in the country, the available curing capacity during that year was 1.14 lakh tonnes (on 31 January, 1982) i.e., short of requirement by about 0.46 lakh tonnes (about 29 per cent). Audit had earlier pointed out that for the

1	2	3	4

seasans 1974-75 to 1975-76, the Coffee Board allowed to the Coffee curers who also functon as pool agents of the Board for a variety of services besides curing such as receiving and storing surplus pool coffee and making payments to growers from funds provided by the Board, a return on capital at 19 per cent plus Rs. 7.75 per tonne towards bonus as against a return of 12-1|2 per cent including bonus recommended by the Cost Accounts Officer of the Government of India. This is in contrast to a minimum return of 5 per cent in the case of robusta and 6 per cent in respect of arabica to the growers. The consequential excess payment worked out to Rs. 27.03 lakhs for 1976-77 and 1977-78 seasons. Excess payment to the tune of Rs. 34.87 lakhs was also made by permitting higher percentage of interest on borrowings during years ibid. In addition, the Board had paid rehabilitation allowance to the tune of Rs. 6.33 lakhs at a rate of Rs. 5 per tonne during these seasons against actual purchase of machinery. The Committee fail to understand that one one hand, Coffee Board is resorting to overdrafts to make initial payments to the growers on their depositing the produce with the agents of the Coffee Board (curing establishments), whereas on the other, the curers have been allowed higher rate of interest for the moneys paid by them to the growers on behalf of the Coffee Board. The Committee would like a scientific analysis of the cash flow of the curers as well as the Coffee Board to ensure that the interest rate allowed to the curers on the

			moneys advanced by them is not more than what is paid by the Board to the Banks towards overdrafts.
9	1.20	Do.	On account of paucity of curing capacity the curing firms were in a position to dictate terms to the Board for the services rendered by them. The Committee had then opined that the whole position as it stood at that time was rather unsatisfactory and had desired that pool agency and curing functions should be taken over by the Coffee Board forthwith. The proposal to set up further curing works in the public sector should be pursued vigorously with the ultimate object of taking over the entire curing functions in a phased manner. The feasibility of setting up of cooperatives of growers for undertaking curing works and entrusting such functions to the Plantation Crops Development Corporations or other State agencies in non-traditional areas should be examined.
10.	1.21	Do	From the latest information furnished by the Ministry of Commerce in August, 1984, the Committee find that nothing tangible has been done by the Coffee Board in this direction to end exploitation by the curers. The present total curing capacity according to the Ministry's reply is 1.19 lakh tonnes inclusive of 15 per cent tolerance. The proposed increase to capacity was 88,350 tonnes for which 18 letters of intent were issued. Had it matured fully, the overall capacity in the country by now would have gone upto 2.08 lakh tonnes, sufficient to meet present as well as future demand

1	2	3	4
			for some years to come. But with the cancellation of 6 letters of intent (curing capacity 79150 tonnes) only 3 works were commissioned so far bringing the effective capacity to 1.28 lakh tonnes only leaving a shortfall of 0.32 lakh tonnes compared to the production of 1.52 lakh tonnes of coffee in 1981-82. With the continuous increase in the area under coffee plantation both in traditional and non-traditional States and due to other measures such as intensive cultivation by adopting improved agricultural practices by the coffee growers and also the use of high yielding disease resistant seed material, there has been phenomenal increase in the coffee production during the last 10|12 years. The Committee would, therefore, like to reiterate that a pragmatic planning to increase the curing capacity should be done not only to bridge the existing gap but also to meet the future increase in production of coffee in the years to come.
11	1.22	Ministry of Commerce	The Committee would like to be informed of the efforts made so far towards the proposed setting up of curing works in the public sector particularly in the non-traditional areas including those by Plantation Crops Development Corporations and other State agencies and the results achieved. They desire that growers curing cooperatives should be formed as expeditiously as possible. The action taken in this regard may also be intimated to the Committee within 3 months of the presentation of this Report.

12 1.25 -Do- From the information now furnished by the Ministry of Commerce, the Committee find that coffee production in the first four years of the current decade is as under:

(In tonnes)

Season	Total production
1981-82	1,52,100
1982-83	1,20,000
1983-84	1,03,000
1984-85	1,70,000 (Approx.)

13 1.26 -Do- The Ministry in their reply to the Committee's recommendations have stated that considerable progress has been achieved in terms of overall expansion and production. As against the proposed target of 1,30,000 hec. by 1993-94 and VI Plan target of the expansion of the Coffee producing areas to the extent of 38,400 hec., an expansion of 43,467 hec. has been achieved so far (August 1984) comprising of 33,434 hec. in the traditional States and rest (10,043 hec.) in non-traditional areas. As against the production target of 2,00,000 tonnes per annum to be achieved by the end of the century, a production level of 1,52,100 tonnes has been reached during 1981-82. The Committee note that though there has been appreciable increase in the production of Coffee as a whole in the country and there is considerable expansion of coffee plantations

1	2	3	4
			in the traditional States, the picture of extension of coffee plantations in the non-traditional States is somewhat dismal. As against the target of 72,000 hec. by 1993-94 and 22900 hec. by 1984-85, to be brought under coffee cultivation, the achievement is only 10043 hectares (about 14 per cent in respect of first target and 44 per cent in the case of VI Plan target). The Committee in their original report had already drawn attention to similar position in 1978-79 when against the annual target of 2,800 hec. fixed for non-traditional areas, the actual achievement was, paltry 102.5 hec. (3.66 per cent only). While the Committee do not want to deprecate the efforts made by the Coffee Board in this direction, they desire that a balance should be struck between traditional and non-traditional States in the matter of expansion of coffee producing areas. They would, therefore, reiterate that a more rational programme for development of coffee in non-traditional areas both in terms of productivity increase and new plantations should be prepared for the Seventh Plan period and implemented on year to year basis to achieve the target set forth for 1993-94. The Committee are unable to appreciate the views expressed by the Ministry of Commerce in this regard (*vide* sub para of Action Taken Note at para 1.24 of the Report) that 'The targets of production as well as expansion of coffee though envisaged for each year, are only tentative targets and need not possibly be achieved in the exact time frame because the state of coffee development in the non-traditional States vary from State to State'.

14	1.27	Ministry of Commerce	Aother disturbing feature the Committee would like to point out in this regard is the wide fluctuations in the production pattern of coffee. From the yearly production figures in the previous decade given in 127th Report it will be seen that whereas the total production of coffee in 1972-73 rose to 91072 tonnes, it tumbled down to 83982 tonnes in 1975-76. Similarly after getting a record production of about 1,50,000 tonnes in 1979-80, it came down to 1,15,146 tonnes the very next year i.e. in 1980-81. The same process is being repeated in the current decade when in its first year (1981-82) the production was 1,52,100 tonnes but in 1983-84, it came down to mere 1,03,000 tonnes (short by 32 per cent). The estimated figure for 1984-85 is 1,70,000 tonnes. The Committee view this phenomenon with much concern. This disturbing trend not only effects the lot of the grower particularly the small cultivator but upsets the availability of this commodity for internal consumption as well as for export purposes. The Committee do agree with the Ministry's view that coffee being a perennial crop, the size of production is largely conditioned by seasonal vagaries and is subject to cyclic variation. The Ministry of Commerce should take adequate steps to stabilise and improve the production by employing modern techniques. They would like to be informed of the action taken in this regard and the success achieved.
15	1.30	-do-	In their earlier Report the Committee had pointed out that the increase in the annual consumption of Coffee from 30,000 tonnes in 1960 to 50,000 tonnes in 1981 could not be attributed entirely

1	2	3	4
			to the efforts of its Propaganda Department. Part of this increase was attributable to the population increase also. The real test of success of the Coffee Board's efforts towards promotion of coffee, according to the Committee, lay in the increase in coffee consumption in non-traditional areas. The Committee had *inter-alia* recommended that for market development in non-traditional areas the Coffee Board should supplement its own channels of distribution and develop the normal trade channels also so that it is in a position to reach the consumer in the remotest area of the country.
16	1.31	Ministry of Commerce	The Action Taken Note (August 1984) of the Ministry on the above recommendations of the Committee that 'detailed plans to start coffee Promotional Centres in 12 urban and industrial centres of the country, from where pure coffee powder would be made available for sale to the consuming public in non-traditional areas through a wide distribution net work and from where right techniques of coffee roasting, grinding and brewing would be taught and serving of good quality liquid coffee from coffee bars attached to such centres would be ensured, are under examination of the Government is a repetition of what they furnished to the Committee in 1981-82. It showed that what the Ministry proposed to do then is still under examination of the Government though a period of 3 years has elapsed.

17	1.32	-do-	The Government have advised the Board "to prepare a scheme for promotion of coffee sales through normal trade channels in non-traditional areas and to up-grade its scheme for that region." The Committee would like the Ministry to intimate the precise action taken by the Board on their advice. The Committee would also like the Ministry to evaluate every year the increase in the consumption of coffee in non-traditional areas and take corrective measures to increase the consumption.

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